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## **SEDWAY GROUP**

Real Estate and Urban Economics

### **RINCON HILL AREA FINANCIAL FEASIBILITY AND FUNDING ANALYSIS**

Prepared for:

**SAN FRANCISCO PLANNING AND URBAN  
RESEARCH ASSOCIATION**

**JULY 2004**

Prepared by:

**Sedway Group/  
CB Richard Ellis Consulting**

In Association with:

**Goodwin Consulting Group  
Pankow Companies  
Webcor Builders**

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505 Montgomery Street  
Suite 600  
San Francisco, CA 94111-2552  
T 415.781.8900  
F 415.781.8118  
sedway@sedway.com

July 12, 2004

Mr. Jim Chappell  
President  
San Francisco Planning and Urban Research Association  
312 Sutter Street, Suite 500  
San Francisco, California 94108

**Re: Rincon Hill Area Financial Feasibility and Funding Analysis**

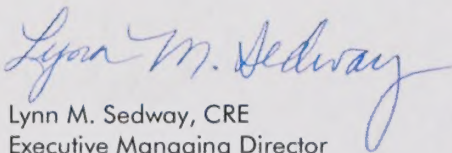
Dear Mr. Chappell:

Sedway Group/CB Richard Ellis Consulting ("Sedway Group") is pleased to submit this report regarding the impacts of the City and County of San Francisco Planning Department's ("Planning Department") Draft Rincon Hill Plan on multifamily residential development. More specifically, this report analyzes the financial feasibility of prototypical multifamily residential development under existing and proposed zoning guidelines, and considers the potential for a development impact fee. In addition, this report provides a qualitative overview of various funding mechanisms (i.e., Mello-Roos Community Facilities District and Assessment District) to finance the development of community improvements such as a library, community center, and park.

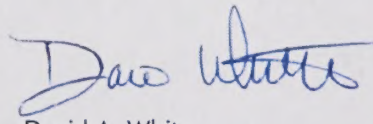
As you know, we have worked with the Technical Advisory Committee created by the San Francisco Planning and Urban Research Association and have solicited the input of the Planning Department, Rincon Hill land owners, and other local real estate professionals. In addition, we have relied on the expertise of Webcor Builders and Pankow Companies for an estimate of construction costs and Goodwin Consulting Group for a qualitative assessment of alternative funding mechanisms. The contents of this report are subject to the appended Assumptions and General Limiting Conditions.

It has been a pleasure working with you on this project. Please do not hesitate to contact us should you have any questions or require additional information.

Sincerely,



Lynn M. Sedway, CRE  
Executive Managing Director



David A. White  
Managing Director

DAW:daw/mass/lms

Enclosure

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## I. EXECUTIVE SUMMARY

### OVERVIEW

In November 2003, the City and County of San Francisco Planning Department ("Planning Department") released its Draft Rincon Hill Plan ("2003 Plan"). The 2003 Plan replaces the 1985 Rincon Hill Plan ("1985 Plan"), both of which were designed to facilitate the transition of Rincon Hill from an underutilized industrial area to a residential neighborhood. The 2003 Plan updates zoning guidelines, proscribes land uses throughout Rincon Hill, and establishes the need for community improvements, such as a library, community center, park, and various street improvements, to support the burgeoning residential population of Rincon Hill and Transbay. To finance these community improvements, the Planning Department has indicated the potential need to levy an impact fee on new development. Absent from the 2003 Plan is a detailed economic analysis of the impacts of the proposed zoning guidelines and impact fee on multifamily residential development. Also, the 2003 Plan would be enhanced by further exploration of alternative methods of financing proposed community improvements.

Sedway Group/CB Richard Ellis Consulting ("Sedway Group") has been asked by the San Francisco Planning and Urban Research Association ("SPUR") to analyze the impacts of the potential zoning guidelines in the 2003 Plan on the financial feasibility of multifamily residential development in Rincon Hill. In addition, this study analyzes the ramifications of an impact fee on the feasibility of prototypical multifamily residential development in Rincon Hill and provides an overview of alternative funding mechanisms to finance the development of community improvements.

### IMPACT OF 2003 PLAN ON POTENTIAL RESIDENTIAL DEVELOPMENT

The 2003 Plan indicates the potential for 3,912 units of multifamily residential development in Rincon Hill, with development occurring in the area bounded by Fremont Street (including the east side of this street), Folsom Street, Essex Street and the Bay Bridge. Of the total number of residential units, 44 percent (1,731 units) are attributed to projects such as 300 Spear Street and 201 Folsom Street that have already been approved. With respect to the remaining 2,181 units, 678 units are anticipated for sites in which a development application has yet to be submitted and 1,503 units are planned for sites in which developers have already submitted development applications.

Table 1 compares potential development on sites that have a submitted development application under review to development contemplated for these sites in the 2003 Plan.



**Table 1:**  
**Potential Development in Rincon Hill**  
**2003 Plan vs. Submitted Development Application**

|                        | Potential Development |              |           |              | Difference<br>In Units |
|------------------------|-----------------------|--------------|-----------|--------------|------------------------|
|                        | As Submitted          |              | 2003 Plan |              |                        |
|                        | Units                 | Height (Ft.) | Units     | Height (Ft.) |                        |
| 399 Fremont Street     | 300                   | 350          | 86        | 80           | (214)                  |
| 375 Fremont Street     | 248                   | 300          | 86        | 80           | (162)                  |
| 333 Fremont Street     | 88                    | 85           | 69        | 80           | (19)                   |
| 340-350 Fremont Street | 355                   | 400          | 115       | 80           | (240)                  |
| 425 First Street       | 720                   | 450-550      | 838       | 450-550      | 118                    |
| 45 Lansing Street      | 305                   | 400          | 309       | 380          | 4                      |
| Total Units            | 2,016                 |              | 1,503     |              | (513)                  |

Sources: San Francisco Planning Department; and Sedway Group.

For four sites (399 Fremont, 375 Fremont, 333 Fremont, and 340-350 Fremont), the Planning Department envisions development at a lower density than what has been outlined in their development applications. Meanwhile, for the remaining two sites, 425 First Street and 45 Lansing Street, the Planning Department anticipates development in excess of that specified in their respective development applications. With respect to 425 First Street, the Planning Department envisions potential development of 838 units rather than the 720 units outlined in the development application. However, Sedway Group understands that development at 425 First Street is not likely to exceed 720 units, regardless of potential changes in zoning.

## **FINANCIAL FEASIBILITY OF MULTIFAMILY RESIDENTIAL DEVELOPMENT IN RINCON HILL**

Sedway Group analyzed the financial feasibility of the proposed zoning changes, including an impact fee, on the following types of prototypical multifamily residential product in Rincon Hill:

- Mid-rise rental and ownership (condominium) development under proposed zoning guidelines (up to 85 feet in height) ("Mid-Rise, Proposed Zoning");
- High-rise rental and ownership (condominium) development under existing zoning guidelines (up to 240 feet in height) ("High-Rise, Existing Zoning"); and
- High-rise rental and ownership (condominium) development under proposed zoning guidelines (up to 400 feet in height) ("High-Rise, Proposed Zoning").

In developing the assumptions for this analysis, Sedway Group extensively collaborated with the SPUR Technical Advisory Committee, Planning Department staff, and Rincon Hill landowners and their representatives. Further, we relied on Webcor Builders and Pankow Companies for input related to building sizes and construction and an estimate of direct construction costs. Note that for the sake of simplicity, the development prototypes excluded retail space.

The methodology used in the financial feasibility analysis is a "static" land residual model. For each scenario, the project revenues (e.g., rents, sales prices) are compared with development costs and appropriate developer return thresholds in order to derive a residual land value. This residual land value is then compared with a range of benchmark land values to identify the potential for an impact fee. Although many of the sites in Rincon Hill are already controlled by developers, who therefore have fixed land costs, this is still an applicable methodology. First, the basis in the different sites varies tremendously based upon acquisition date, entitlements costs, and holding costs. Second, and more



importantly, it is possible that these developers could sell their sites, or take on joint venture and/or equity partners, who will undertake a very similar analysis in the underwriting process.

### Summary Impact Fee Analysis

Table 2 summarizes the results of this analysis. Of the four proposed zoning development prototypes analyzed as part of this analysis, only the for-sale High-Rise, Proposed Zoning can feasibly support an additional impact fee over those which are already in place to fund community improvements in Rincon Hill.

**Table 2:**  
**Summary Impact Fee Analysis**

|                            | Number of Units | Supportable<br>Impact Fee Per Net Sq. Ft. |
|----------------------------|-----------------|-------------------------------------------|
| Mid-Rise, Proposed Zoning  |                 |                                           |
| Rental                     | 109             | \$0                                       |
| For-sale                   | 91              | \$0                                       |
| High-Rise, Proposed Zoning |                 |                                           |
| Rental                     | 395             | \$0                                       |
| For-sale                   | 329             | Up to \$5.00                              |

Sources: Webcor; Pankow; Planning Department; SPUR; and Sedway Group.

In spite of this outcome, the multifamily residential projects generate benefits to the City in the form of school impact fees and inclusionary housing, which represent significant costs to the developer.

Table 3 summarizes the school impact fees generated by the multifamily rental projects and the costs of providing inclusionary housing, which amount to \$26.00 to \$36.00 per net square foot.

**Table 3:**  
**Existing Impact Fees – Prototypical Multifamily Rental Development**

|                                                       | Mid-Rise,<br>Proposed Zoning<br>109 Units | High-Rise,<br>Existing Zoning<br>219 Units | High-Rise,<br>Proposed Zoning<br>395 Units |
|-------------------------------------------------------|-------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>School Impact Fees</b> (\$1.72 per Net Sq. Ft.)    | \$154,671                                 | \$310,762                                  | \$560,505                                  |
| <b>Inclusionary Housing</b> <sup>1</sup>              |                                           |                                            |                                            |
| Lost Income from Below Market-Rate Units <sup>2</sup> | \$141,996                                 | \$357,373                                  | \$728,283                                  |
| Capitalization Rate <sup>3</sup>                      | 6.5%                                      | 6.5%                                       | 6.5%                                       |
| Capitalized Value of Lost Income                      | \$2,184,558                               | \$5,498,042                                | \$11,204,352                               |
| Per Net Square Foot                                   | \$24.29                                   | \$30.43                                    | \$34.38                                    |
| Per Unit                                              | \$20,042                                  | \$25,105                                   | \$28,365                                   |
| Per BMR Unit                                          | \$168,043                                 | \$203,631                                  | \$233,424                                  |
| <b>Total Impacts</b>                                  | <b>\$2,339,229</b>                        | <b>\$5,808,804</b>                         | <b>\$11,764,857</b>                        |
| <b>Per Net Square Foot</b>                            | <b>\$26.01</b>                            | <b>\$32.15</b>                             | <b>\$36.10</b>                             |
| <b>Per Unit</b>                                       | <b>\$21,461</b>                           | <b>\$26,524</b>                            | <b>\$29,784</b>                            |

1. Assumes that a conditional use is required for approvals and that the inclusionary housing requirement is satisfied through onsite housing, as a result, 12 percent of the total of units are for households earning 60 percent of area median income per the City of San Francisco's inclusionary housing ordinance (Section 315 of the City and County of San Francisco Planning Code)

2. Represents the difference in the annual net operating income generated by below market-rate units and the potential net operating income that could be generated by these units at market rates.

3. Represents current capitalization rates for multifamily rental product in San Francisco. Capitalization rates will vary depending on market conditions.

Sources: Webcor; Pankow; Planning Department; SPUR; and Sedway Group.



Table 4 summarizes the school impact fees generated by the multifamily for-sale projects and the costs of providing inclusionary housing. As shown, for for-sale development, the existing impacts amount to \$42.00 to \$55.00 per net square foot.

**Table 4:**  
**Existing Impact Fees – Prototypical Multifamily For-sale Development**

|                                                       | Mid-Rise,<br>Proposed Zoning<br>91 Units | High-Rise,<br>Existing Zoning<br>182 Units | High-Rise,<br>Proposed Zoning<br>329 Units |
|-------------------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>School Impact Fees</b> (\$1.72 per Net Sq. Ft.)    | \$155,346                                | \$310,693                                  | \$561,636                                  |
| <b>Inclusionary Housing</b> <sup>1</sup>              |                                          |                                            |                                            |
| Lost Income from Below Market-Rate Units <sup>2</sup> | \$3,668,269                              | \$8,484,168                                | \$17,274,120                               |
| Per Net Square Foot                                   | \$40.62                                  | \$46.97                                    | \$52.90                                    |
| Per Unit                                              | \$40,311                                 | \$46,616                                   | \$52,505                                   |
| Per BMR Unit                                          | \$333,479                                | \$385,644                                  | \$431,853                                  |
| <b>Total Impacts</b>                                  | <b>\$3,823,615</b>                       | <b>\$8,794,861</b>                         | <b>\$17,835,756</b>                        |
| Per Net Square Foot                                   | <b>\$42.34</b>                           | <b>\$48.69</b>                             | <b>\$54.62</b>                             |
| Per Unit                                              | <b>\$42,018</b>                          | <b>\$48,323</b>                            | <b>\$54,212</b>                            |

1. Assumes that a conditional use is required for approvals and that the inclusionary housing requirement is satisfied through onsite housing, as a result, 12 percent of the total of units are for households earning 100 percent of area median income per the City of San Francisco's inclusionary housing ordinance (Section 315 of the City and County of San Francisco Planning Code).

2. Represents the difference in the net sales proceeds generated by below market-rate units and the net sales proceeds generated by market-rate units.

Sources: Webcor; Pankow; Planning Department; SPUR; and Sedway Group.

### Prototypical Multifamily Rental Development

Table 5 summarizes the residual land values generated for the three prototypical rental projects in Rincon Hill.

**Table 5:**  
**Summary Residual Land Value Analysis**  
**Multifamily Rental Development**

|                                      | Mid-Rise,<br>Proposed Zoning<br>109 Units | High-Rise,<br>Existing Zoning<br>219 Units | High-Rise,<br>Proposed Zoning<br>395 Units |
|--------------------------------------|-------------------------------------------|--------------------------------------------|--------------------------------------------|
| Annual Net Operating Income          | \$2,035,574                               | \$4,244,543                                | \$8,358,241                                |
| Return on Cost                       | 8.00%                                     | 8.25%                                      | 8.50%                                      |
| Warranted Investment                 | \$25,444,673                              | \$51,449,006                               | \$98,332,247                               |
| Direct Development Costs             | 25,569,750                                | 56,170,020                                 | 97,837,640                                 |
| Indirect Development Costs           | 6,251,097                                 | 15,927,450                                 | 30,167,059                                 |
| Less Total Dev. Costs Excluding Land | \$31,820,847                              | \$72,097,470                               | \$128,004,699                              |
| Total Residual Land Value            | (\$6,376,172)                             | (\$20,648,464)                             | (\$29,672,452)                             |
| Residual Land Value Per Unit         | (\$58,497)                                | (\$94,285)                                 | (\$75,120)                                 |

Sources: Webcor; Pankow; Planning Department; SPUR; and Sedway Group.

The results of the financial analysis indicate that, under current market conditions, multifamily rental development is not feasible and cannot support an impact fee. Each of the rental prototypes generated a negative residual land value. Further, even with a 20 percent increase in the average monthly rental rate for market-rate units, the residual land values generated by prototypical multifamily rental development in Rincon Hill remain negative and cannot support an additional impact fee to fund community improvements in Rincon Hill. This is indicative of the economics associated with rental development and is supported by historical development trends in Rincon Hill, in which only one rental project (Avalon Towers) has been built.



In spite of this outcome, there may be a possibility that multifamily rental development in Rincon Hill could occur. However, even under the following circumstances, Sedway Group is very doubtful that multifamily rental development in Rincon Hill can support an impact fee. This scenario would need to include, in addition to a more than 20 percent increase in average monthly rental rates for market-rate units (or perhaps a reduction in development costs), or some combination of the following conditions:

- Apartment REIT developer. An apartment REIT developer such as AvalonBay, which developed AvalonTowers, is more likely to pursue a multifamily rental project in Rincon Hill for the following reasons:
  - Access to low-cost financing;
  - Long-term hold strategy to weather market cycles; and
  - Ability to leverage project expertise to realize cost savings in the development process and property management.
- Low-income tax-exempt bond financing. This type of financing lowers development costs and enhances cash flow through low interest rates. In addition, this financing generates low-income housing tax credits that can be used to offset the developer's equity requirement. The Paramount (680 Mission Street) is an example of a multifamily rental project financed with low-income tax-exempt bond financing.
- Above grade parking. Given the exorbitant cost of below grade parking, partial or complete above grade (podium) parking is a meaningful way to reduce development costs.

#### Prototypical Multifamily For-sale Development

Table 6 summarizes the residual land values generated for the three prototypical multifamily for-sale projects in Rincon Hill.

**Table 6:**  
**Summary Residual Land Value Analysis**  
**Multifamily For Sale Development**

|                                      | Mid-Rise,<br>Proposed Zoning<br>91 Units | High-Rise,<br>Existing Zoning<br>182 Units | High-Rise,<br>Proposed Zoning<br>329 Units |
|--------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| Total Gross Sales Proceeds           | \$50,457,919                             | \$114,894,258                              | \$219,184,256                              |
| Threshold Gross Profit Margin        | 20%                                      | 25%                                        | 30%                                        |
| Warranted Investment                 | \$42,048,266                             | \$91,915,406                               | \$168,603,274                              |
| Direct Development Costs             | 26,135,220                               | 53,040,061                                 | 91,228,362                                 |
| Indirect Development Costs           | 11,405,118                               | 26,934,476                                 | 52,390,514                                 |
| Less Total Dev. Costs Excluding Land | \$37,540,338                             | \$79,974,537                               | \$143,618,876                              |
| Total Residual Land Value            | \$4,507,928                              | \$11,940,869                               | \$24,984,398                               |
| Residual Land Value Per Unit         | \$49,538                                 | \$65,609                                   | \$75,940                                   |

Sources: Webcor; Pankow; Planning Department; SPUR; and Sedway Group.

The residual land values generated by the three projects are positive, meaning that in the absence of additional fees or exactions the current market can support development of ownership housing. Both the High Rise, Existing and Proposed Zoning scenarios produce land values per unit above the \$50,000 benchmark that represents the low end of actual land transactions within the area for entitled sites. The High Rise, Proposed Zoning would increase the residual land value per unit by about \$10,000 over the High Rise, Existing Zoning scenario. We believe, therefore, that development under the proposed high rise zoning guidelines can support an impact fee.



Sedway Group performed a sensitivity analysis at different levels of impact fee, which is summarized in Table 7. As shown by Table 7, at an \$9.00 per net square foot impact fee, the residual land value per unit for High-Rise, Proposed Zoning falls below that indicated by the High-Rise, Existing Zoning scenario with no impact fee.

**Table 7:  
Summary Impact Fee Analysis  
Multifamily For-Sale Development**

| Impact Fee Levels Per Net Square Foot | Residual Land Value Per Unit  |                               |
|---------------------------------------|-------------------------------|-------------------------------|
|                                       | High-Rise,<br>Existing Zoning | High-Rise,<br>Proposed Zoning |
| \$0.00                                | \$65,609                      | \$75,940                      |
| \$5.00                                | N/App.                        | \$69,720                      |
| \$8.00                                | N/App.                        | \$65,988                      |
| \$9.00                                | N/App.                        | <b>\$64,744</b>               |
| \$10.00                               | N/App.                        | \$63,500                      |

Sources: Sedway Group.

However, Sedway Group recommends that the impact fee should not absorb all of the value gain associated with the proposed zoning. Since 2001, the multifamily for-sale market has performed extremely well, benefiting from historically low interest rates. As interest rates begin to rise, this is anticipated to have a negative impact on the multifamily for-sale market, resulting in slower absorption of units and/or a decline in average sales prices for market-rate units. This is particularly the case if significant increases in interest rates are not balanced by local job growth. Again, as demonstrated in Exhibit D-6 (Appendix D), in the event average sales prices for market-rate units decline by as little as five percent, the residual land value generated by the High-Rise, Proposed Zoning declines to \$52,900 per unit, resulting in a land value that is at the low end of the benchmark land value range. In this scenario, the High-Rise, Proposed Zoning cannot afford the impact fee.

In addition, we recommend as a general practice that when rezoning increases land values, that the increment be split evenly between landowners and the City, in order to maintain incentives to take advantage of the rezoning and pursue development. Therefore, Sedway Group recommends that the impact fee for High-Rise, Proposed Zoning properties be no greater than \$5.00 per square foot of net building area. This retains the developer incentive to build in the event that the currently strong market weakens slightly; this also accounts for the uncertainty over the acceptance of car lifts by condominium buyers.<sup>1</sup>

## **FUNDING ALTERNATIVES FOR COMMUNITY IMPROVEMENTS**

This report assesses six funding mechanisms that are currently available under California law for community improvements such as a library, community center, and park. For each funding tool, there is background information about the mechanism, as well as a discussion of eligible facilities, implementation measures, revenues created by the mechanism, and advantages and disadvantages associated with using the funding tool. Finally, there is a discussion of how the funding tool could be used for new development in Rincon Hill.

California law provides for a variety of mechanisms to fund public infrastructure. Each funding tool involves different implementation procedures, voting requirements, authorized facilities, revenue sources, and security requirements. Some mechanisms provide a "pay-as-you-go" stream of revenues

<sup>1</sup> It should be noted that the impact fee increases the risk of an unprofitable development and, therefore, can reduce the number of units constructed should developers be concerned about the stability of the market.



that will vary based on the rate of absorption of land uses that generate the revenues. Other mechanisms involve the issuance of bonded indebtedness that provides lump-sum funding, the repayment of which is amortized over many years. An infrastructure funding strategy may involve a combination of funding tools that results in overlapping one-time and annual burdens. Alternatively, one funding mechanism may be used on an interim basis and ultimately be removed when revenues are available to implement another funding tool.

Considering the opportunities and constraints of each mechanism, the following conclusions were reached:

| <b>Funding Mechanism</b>              | <b>Probability of Use in Rincon Hill</b>             | <b>Considerations Associated with Each Mechanism</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assessment District                   | Not likely                                           | <ul style="list-style-type: none"> <li>Cannot fund community center or library facilities. For street improvements, existing homeowners would have to be assessed. Majority protest may occur.</li> <li>No option to exempt affordable units or public property.</li> </ul>                                                                                                                                                                                                                                                                                                                                             |
| Mello-Roos District                   | Likely                                               | <ul style="list-style-type: none"> <li>Can fund all needed improvements in Rincon Hill.</li> <li>Bond funding allows for lump-sum revenues to be available in early years of development.</li> <li>Boundaries can include non-contiguous parcels if existing residents do not want to be taxed. Can also include Transbay parcels if desired.</li> <li>Flexible allocation of annual taxes; affordable units and public property can be exempt from taxation.</li> <li>Two-thirds vote required to form district (possibly problematic).</li> <li>Can be combined with other revenues (i.e., tax increment).</li> </ul> |
| Impact Fees                           | Likely                                               | <ul style="list-style-type: none"> <li>Easiest mechanism to implement for facilities that can be phased with the phasing of development.</li> <li>No district formation/no election to put fees in place.</li> <li>Fees only apply to new development.</li> <li>Defines each owner's fair share, which may be helpful if oversizing/reimbursements are required.</li> </ul>                                                                                                                                                                                                                                             |
| Tax Increment Financing               | Unknown; Depends on Redevelopment Agency commitments | <ul style="list-style-type: none"> <li>Would only be available from Transbay district; no redevelopment area in Rincon Hill.</li> <li>Could be contributed toward \$5.1 million in community center and library costs assigned to Transbay district.</li> <li>Would not add additional burden to projects in Rincon Hill.</li> <li>Tax increment may already be committed to other projects.</li> <li>Tax allocation bonds would provide lump-sum funding.</li> </ul>                                                                                                                                                   |
| Integrated Financing District ("IFD") | Not Likely                                           | <ul style="list-style-type: none"> <li>Reimbursement agreement would probably negate the need to use an IFD.</li> <li>Very complex, little-used mechanism.</li> <li>Potential for use would depend on need for a formal reimbursement mechanism.</li> </ul>                                                                                                                                                                                                                                                                                                                                                             |
| Certificates of Participation         | Not Likely                                           | <ul style="list-style-type: none"> <li>Requires City general fund back-up commitment, which is unlikely considering budget constraints.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

Sources: Goodwin Consulting Group.

This report is subject to the appended Assumptions and General Limiting Conditions.



## **II. INTRODUCTION**

### **OVERVIEW**

In November 2003, the City and County of San Francisco Planning Department ("Planning Department") released its Draft Rincon Hill Plan ("2003 Plan"). The 2003 Plan replaces the 1985 Rincon Hill Plan ("1985 Plan"), both of which were designed to facilitate the transition of Rincon Hill from an underutilized industrial area to a residential neighborhood. The 2003 Plan updates zoning guidelines, proscribes land uses throughout Rincon Hill, and establishes the need for community improvements, such as a library, community center, park, and various street improvements, to support the burgeoning residential population of Rincon Hill and Transbay. To finance these community improvements, the Planning Department has indicated the potential need to levy an impact fee on new development. Absent from the 2003 Plan is a detailed economic analysis of the impacts of the proposed zoning guidelines and impact fee on multifamily residential development. Also, the 2003 Plan would be enhanced by further exploration of alternative methods of financing proposed community improvements.

Sedway Group has been asked by the San Francisco Planning and Urban Research Association ("SPUR") to analyze the impacts of the potential zoning guidelines in the 2003 Plan on the financial feasibility of multifamily residential development in Rincon Hill. In addition, this study analyzes the ramifications of an impact fee on the feasibility of prototypical multifamily residential development in Rincon Hill and provides an overview of alternative funding mechanisms to finance the development of community improvements.

### **STUDY APPROACH**

Sedway Group engaged in the following tasks to explore the ramifications of various aspects of the 2003 Plan on multifamily residential development:

- Based on data provided by the Planning Department, analyzed the development potential in Rincon Hill;
- Developed a financial model to estimate the residual land value of prototypical multifamily residential development in Rincon Hill under both existing and proposed zoning guidelines;
- Analyzed the ramifications of an impact fee on the feasibility of prototypical multifamily residential development in Rincon Hill; and
- Qualitatively assessed various mechanisms to finance community improvements such as a library, community center, and park in Rincon Hill.

After reviewing the 2003 Plan, Sedway Group worked with a Technical Advisory Committee created by SPUR to develop a set of assumptions for prototypical multifamily residential development in Rincon Hill. Appendix A contains a list of Technical Advisory Committee members who are local real estate professionals with experience in both the public and private sector. Sedway Group also solicited feedback from the Planning Department, Rincon Hill landowners, and other real estate professionals familiar with the San Francisco residential market. In addition, we performed a survey of comparable rental and for-sale projects and analyzed long-term trends in the San Francisco rental and for-sale



markets. Once completed, the final set of assumptions were submitted to both Webcor Builders ("Webcor") and Pankow Companies ("Pankow"), who developed an estimate of construction costs. Appendix C contains the final set of assumptions for prototypical multifamily residential development (rental and for-sale) in Rincon Hill.

In addition, Sedway Group engaged Goodwin Consulting Group ("Goodwin") to provide a qualitative assessment of various funding mechanisms including a Mello-Roos Community Facilities District and Assessment District, among others, to finance the development of community improvements in Rincon Hill.

## REPORT ORGANIZATION

The remainder of this document is organized into four chapters:

- **Chapter III: Rincon Hill Overview** provides an overview of historical and anticipated multifamily residential development in Rincon Hill;
- **Chapter IV: Key Assumptions** provides an overview of the key development and operating assumptions for the financial feasibility analysis;
- **Chapter V: Financial Feasibility of Multifamily Residential Development** discusses the impacts of proposed changes to the Rincon Hill zoning guidelines, as well as the ramifications of an impact fee, on the feasibility of prototypical multifamily residential development; and
- **Chapter VI: Funding Improvements in Rincon Hill** provides a qualitative overview of mechanisms to finance the development of community improvements in Rincon Hill.

The report also includes four appendices:

- **Appendix A** is a list of members of the SPUR Technical Advisory Committee;
- **Appendix B** consists of Exhibits B-1 through B-3;
- **Appendix C** contains detailed development and operating assumptions for prototypical multifamily residential development in Rincon Hill; and
- **Appendix D** consists of detailed output from the financial models in Exhibits D-1 to D-33.

This report is prefaced by an Executive Summary.



### III. RINCON HILL OVERVIEW

The Rincon Hill neighborhood<sup>2</sup> is considered a prime location for residential development, given its proximity to the Financial District, the waterfront, public transportation (BART, Caltrain, and Muni), and Yerba Buena and its cultural attractions. In 1985, the Planning Department adopted the 1985 Plan to facilitate the transition of Rincon Hill to a residential neighborhood from an area populated by old underutilized industrial buildings and surface parking lots. While several new residential buildings have been developed in the area, the zoning guidelines have been difficult to implement and have not yielded the amount of development anticipated by the 1985 Plan. Further, the 1985 Plan did not contemplate the development of the Transbay Terminal and the substantial amounts of commercial and residential development that is planned for the abutting Transbay Redevelopment Project Area<sup>3</sup>. Thus, the Planning Department embarked on an effort to revise the 1985 Plan, culminating in the 2003 Plan. The 2003 Plan updates the zoning guidelines for Rincon Hill, proscribes land uses throughout the area, and establishes the need for community improvements, such as a library, community center, and park, to serve the burgeoning Rincon Hill and Transbay neighborhoods. In addition, the 2003 Plan indicates the potential need to levy an impact fee on new development in order to fund the construction of the community improvements.

#### ZONING GUIDELINES IN RINCON HILL

The 2003 Plan replaces the zoning guidelines of the Rincon Hill Special Use District (Section 249 of the City and County of San Francisco Planning Code) and replaces them with a new Rincon Hill Downtown Mixed Use District ("Rincon Hill Downtown MUD"). The Planning Department has granted numerous exceptions under the existing zoning guidelines, resulting in development that is bulkier and buildings that are closer together than what was envisioned under the 1985 Plan. To eliminate this practice, the zoning guidelines under the Rincon Hill Downtown MUD circumscribes tower development through revised tower separation requirements. In addition, the revised zoning guidelines include amended height and bulk limitations, parking ratio requirements, and unit mix recommendations.

##### Tower separation

Existing zoning guidelines require tower separation of 150 feet. Proposed zoning guidelines recommend tower separation of at least 115 feet or a maximum 20 percent tower block coverage.

##### Height Limitations

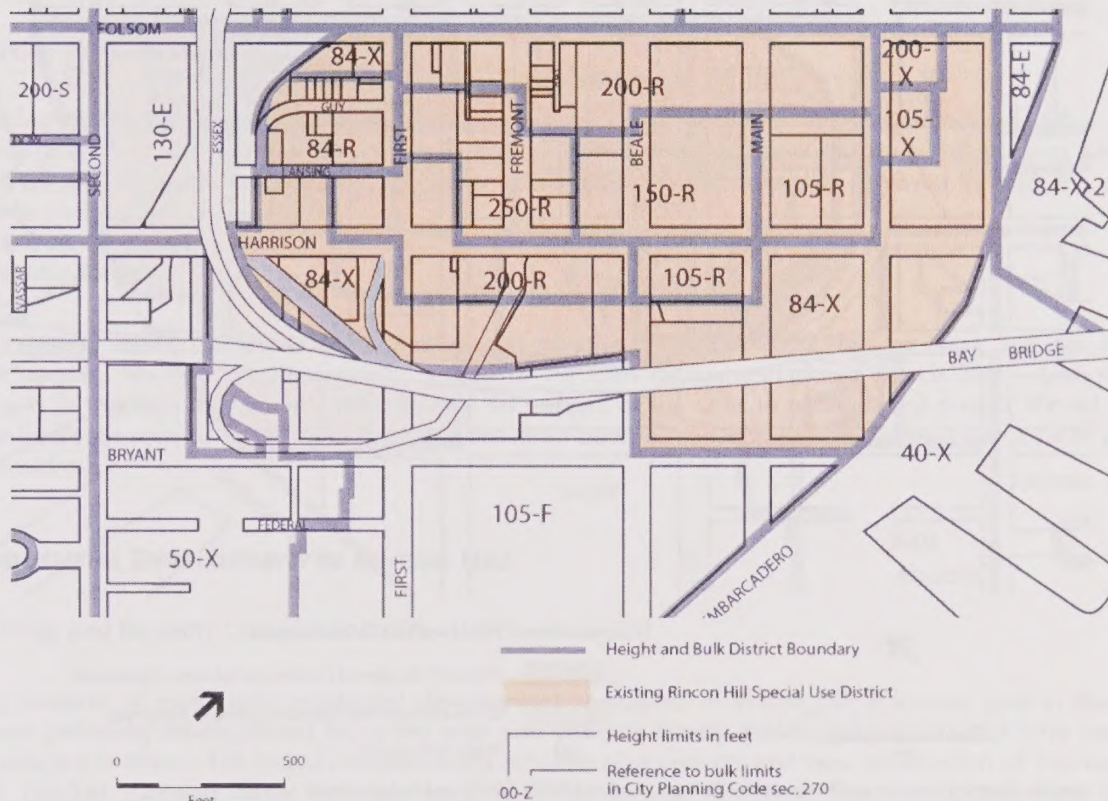
**Existing Zoning Guidelines.** Residential development under 40 feet in height is allowed as a right under the existing zoning guidelines. Over 40 feet a conditional use is required. Maximum building heights in Rincon Hill range from 84 feet to 250 feet, depending on location. Figure 1 illustrates height limits under the existing zoning guidelines.

<sup>2</sup> Consisting of 55 acres, Rincon Hill is bounded by Folsom Street, Steuart Street, The Embarcadero, Bryant Street, and the Bay Bridge approach, and the Transbay Terminal ramps.

<sup>3</sup> The Transbay Redevelopment Project Area is generally bounded by Mission Street, Second Street, Folsom Street, and Main Street.



**Figure 1:**  
**Height Limits Under Existing Zoning Guidelines**



Sources: Planning Department (Proposed Plan Refinements dated March 2004); and Sedway Group.

**Proposed Zoning Guidelines.** Proposed zoning guidelines eliminate the 40 foot benchmark and establishes a wide range of building heights. Within the area of Rincon Hill where development is anticipated to occur – the area bounded by Fremont Street (including the parcels on the east side of the street), Folsom Street, Essex Street and the Bay Bridge – maximum building heights vary depending on location and distance from existing or approved towers (i.e., 300 Spear Street and 201 Folsom Street). Figure 2 (see next page) depicts height limits under the proposed zoning guidelines.

- In the area roughly bounded by Folsom Street, First Street, Fremont Street, and the Bay Bridge, maximum building heights range from 65 to 550 feet. Buildings that are within 115 feet of an existing or approved tower cannot exceed a height of 85 feet, while maximum heights for buildings that are at least 115 feet from an existing or approved tower can range from 250 to 550 feet, depending on location.
- In the Guy/Lansing neighborhood<sup>4</sup>, maximum building heights range from 45 to 65 feet, which represents a reduction in maximum building heights in comparison to existing zoning guidelines. Existing zoning guidelines allow maximum building heights of 84 feet<sup>5</sup>.

<sup>4</sup> The Guy/Lansing neighborhood is the area roughly bounded by First, Folsom, Essex, and Harrison streets.

<sup>5</sup> Data provided by the Planning Department indicates the potential for a building that is 380 feet in height at 45 Lansing Street. The Plan Refinements do not discuss the impacts of these height limits on this site.



**Figure 2:**  
**Height Limits Under Proposed Zoning Guidelines**



Sources: Planning Department (Proposed Plan Refinements dated March 2004); and Sedway Group

## Bulk Limitations

**Existing Zoning Guidelines.** Under existing zoning guidelines, the following bulk limitations apply to portions of a building that exceed 51 feet. Under 51 feet, there are no bulk limitations.

- Between 51 and 105 feet in height, the average individual floor area may not exceed 20,000 square feet, while the maximum plan dimensions measured diagonally cannot exceed 200 feet.
- Above 105 feet in height, the average floor area of all floors cannot exceed 7,500 gross square feet.

**Proposed Zoning Guidelines.** Under proposed zoning guidelines, the following bulk limitations apply to portions of a building that exceed 85. Under 85 feet, there are no bulk limitations.

- For buildings that range from 85 to 240 feet in height, the average floor area for the portion of the building in excess of 85 feet cannot exceed 7,500 gross square feet.
- For buildings that range from 241 to 300 feet in height, the average floor area for the portion of the building in excess of 85 feet cannot exceed 8,500 gross square feet.
- For buildings that range from 301 to 350 feet in height, the average floor area for the portion of the building in excess of 85 feet cannot exceed 9,000 gross square feet.



- For buildings that range from 351 to 400 feet in height, the average floor area for the portion of the building in excess of 85 feet cannot exceed 10,000 gross square feet.

### Parking Requirements

Existing zoning guidelines allow for a 1:1 parking ratio, with parking accommodated either in underground or aboveground structures. The proposed zoning guidelines require a 1:2 parking ratio, with all parking below street grade<sup>6</sup>. However, a parking ratio of 1:1 can be achieved through the use of lifts and a valet service.

### Unit Mix Targets

The existing zoning guidelines do not contain unit mix guidelines. The 2003 Plan, however, includes unit mix targets, which were subsequently revised in the Plan Refinements dated March 2004. Unit mix targets in the Plan Refinements indicate that 40 percent of the units in a residential project should be two-bedroom units or larger, with units that are three-bedroom or larger representing 10 percent of the product mix.

## RESIDENTIAL DEVELOPMENT IN RINCON HILL

### Existing and Recently Completed Residential Development

The majority of multifamily residential development completed in Rincon Hill is located east of Beale Street (including developments lining the west side of Beale Street). Residential projects that have been developed in Rincon Hill include smaller-scale rehabilitation projects and new construction of live/work loft product (Lansing Street developments), mid-rise projects (Portside, Bay Crest), and high-rise developments (Avalon Towers, Bridgeview Tower). Since 1989, more than 1,500 multifamily residential units have been developed in Rincon Hill. Of the total number of units, approximately 14 percent were developed as apartments and 86 percent were developed as lofts/condominiums. The most recently completed project is The Metropolitan, which is located at the corner of First and Folsom streets and consists of 342 for-sale units. Exhibit B-1 in Appendix B summarizes existing multifamily residential development in Rincon Hill.

### Existing Pipeline of Residential Development

Based on data provided by the Planning Department, there are ten multifamily residential projects totaling 3,747 units that have submitted development applications. Four projects have received approvals and are not required to adhere to the 2003 Plan. The remaining six projects are under review and are likely to be subject to the zoning and design guidelines in the 2003 Plan. Exhibit B-2 in Appendix B provides an overview of these projects.

- With the exception of the projects at 300 Spear Street and 201 Folsom Street, all of the development in the pipeline is located west of Beale Street, predominately along Fremont Street and at 425 First Street (site of the existing Bank of America Tower).
- Four projects, which represent 53 percent (1,731 units) of the total number of units in the pipeline, have received approvals. These projects include 300 Spear Street (800 units), 201 Folsom Street

<sup>6</sup> The 2003 Plan indicates that sloping sites with a grade change of greater than 10 feet must have at least 60 percent of the parking below grade.



(800 units), 325 Fremont (51 units), and 40-50 Lansing (80 units). All of these projects include below grade parking at a 1:1 parking ratio. Two of these projects, 300 Spear Street and 201 Folsom Street, exceed height limits in the existing zoning guidelines.

- With respect to the six projects that have submitted applications and have not received approvals, five have proposed building heights that exceed existing zoning guidelines and the majority of the projects are slated to have below grade parking. The project at 425 First Street is proposed to have partially above-grade parking (due to the site's elevation), as well as a proportion of the parking provided via car lifts.

### Impact of 2003 Plan on Potential Residential Development

The 2003 Plan indicates the potential for 3,912 units of multifamily residential development in Rincon Hill, with development occurring in the area bounded by Fremont Street (including the east side of the street), Folsom Street, Essex Street and the Bay Bridge. Of the total number of residential units, 44 percent (1,731 units) are attributed to projects such as 300 Spear Street and 201 Folsom Street that have already been approved. With respect to the remaining 2,181 units, 678 units are anticipated for sites in which a development application has yet to be submitted and 1,503 units are planned for sites in which developers have already submitted development applications. Exhibit B-3 in Appendix B outlines the potential development in Rincon Hill under the 2003 Plan.

Table 8 compares potential development on sites that have a development application under review to development contemplated for these sites in the 2003 Plan.

**Table 8:**  
**Potential Development in Rincon Hill: 2003 Plan vs. Submitted Development Application**

|                        | Potential Development |              |           |              | Difference<br>In Units |
|------------------------|-----------------------|--------------|-----------|--------------|------------------------|
|                        | As Submitted          |              | 2003 Plan |              |                        |
|                        | Units                 | Height (Ft.) | Units     | Height (Ft.) |                        |
| 399 Fremont Street     | 300                   | 350          | 86        | 80           | (214)                  |
| 375 Fremont Street     | 248                   | 300          | 86        | 80           | (162)                  |
| 333 Fremont Street     | 88                    | 85           | 69        | 80           | (19)                   |
| 340-350 Fremont Street | 355                   | 400          | 115       | 80           | (240)                  |
| 425 First Street       | 720                   | 450-550      | 838       | 450-550      | 118                    |
| 45 Lansing Street      | 305                   | 400          | 309       | 380          | 4                      |
| Total Units            | 2,016                 |              | 1,503     |              | (513)                  |

Sources: San Francisco Planning Department; and Sedway Group.

For four sites (399 Fremont, 375 Fremont, 333 Fremont, and 340-350 Fremont), the Planning Department envisions development at a lower density than what has been outlined in their development applications. Meanwhile, for the remaining two sites, 425 First Street and 45 Lansing Street, the Planning Department anticipates development in excess of that specified in their respective development applications. With respect to 425 First Street, the Planning Department envisions potential development of 838 units rather than the 720 units that is outlined in the development application. However, Sedway Group understands that development at 425 First Street is not likely to exceed 720 units, regardless of potential changes in zoning.



#### IV. KEY ASSUMPTIONS

This section outlines the key cost and revenue assumptions that form the basis of the financial feasibility analysis in the following chapter. The financial feasibility analysis considers the impacts of the proposed zoning changes, including an impact fee, on the following types of prototypical multifamily residential development:

- Mid-rise rental and ownership (condominium) development under proposed zoning guidelines (up to 85 feet in height) ("Mid-Rise, Proposed Zoning");
- High-rise rental and ownership (condominium) development under existing zoning guidelines (up to 240 feet in height) ("High-Rise, Existing Zoning"); and
- High-rise rental and ownership (condominium) development under proposed zoning guidelines (up to 400 feet in height) ("High-Rise, Proposed Zoning").

In developing the assumptions for this analysis, Sedway Group extensively collaborated with the SPUR Technical Advisory Committee, Planning Department staff, and Rincon Hill landowners and their representatives. Further, we relied on Webcor and Pankow for an estimate of direct construction costs, garage specifications, efficiencies, and systems. In addition, Sedway Group performed a survey of comparable rental and for-sale projects and analyzed long-term trends in the San Francisco rental and for-sale markets. Note that for the sake of simplicity, the development prototypes excluded retail space. Seven exhibits in Appendix C provide a detailed overview of the development and operating assumptions.

The methodology used in the financial feasibility analysis is a "static" land residual model. For each scenario, the project revenues (e.g., rents, sales prices) are compared with development costs and appropriate developer return thresholds in order to derive a residual land value. This residual land value is then compared with a range of benchmark land values to identify the potential for an impact fee. Although many of the sites in Rincon Hill are already controlled by developers, who therefore have fixed land costs, this is still an applicable methodology. First, the basis in the different sites varies tremendously based upon acquisition date, entitlements costs, and holding costs. Second, and more importantly, it is possible that these developers could sell their sites, or take on joint venture and/or equity partners, who will undertake a very similar analysis in the underwriting process.



## DEVELOPMENT PROGRAM

Table 9 summarizes key elements of the prototypical development program.

**Table 9:**  
**Development Program Assumptions**

|                             | Mid-Rise, Proposed Zoning                            |          | High-Rise, Existing Zoning |          | High-Rise, Proposed Zoning       |          |
|-----------------------------|------------------------------------------------------|----------|----------------------------|----------|----------------------------------|----------|
|                             | Rental                                               | For-Sale | Rental                     | For-Sale | Rental                           | For-Sale |
| Location                    | Fremont Street b/w Folsom Street and Harrison Street |          |                            |          |                                  |          |
| Site Size                   | 18,500                                               | 18,500   | 18,500                     | 18,500   | 18,500                           | 18,500   |
| Floors                      | 7.5                                                  | 7.5      | 23.3                       | 23.3     | 39.3                             | 39.3     |
| Building Height (Ft.)       | 85                                                   | 85       | 240                        | 240      | 400                              | 400      |
| Total Gross Sq. Ft.         | 115,920                                              | 115,920  | 230,759                    | 230,759  | 416,648                          | 416,648  |
| Total Net Sq. Ft.           | 89,925                                               | 90,318   | 180,675                    | 180,635  | 325,875                          | 326,533  |
| Total Units                 | 109                                                  | 91       | 219                        | 182      | 395                              | 329      |
| Market-Rate                 | 96                                                   | 80       | 192                        | 160      | 347                              | 289      |
| BMR (12%)                   | 13                                                   | 11       | 27                         | 22       | 48                               | 40       |
| Average Unit Size (Sq. Ft.) | 825                                                  | 993      | 825                        | 993      | 825                              | 993      |
| Parking Type                | Underground                                          |          | Underground                |          | Underground                      |          |
| Ratio                       | 1:2 plus lifts and valet service                     |          | 1:1                        |          | 1:2 plus lifts and valet service |          |

Sources: Planning Department; Webcor; Pankow; SPUR; and Sedway Group.

### Location and Site Size

The prototypical development is assumed to take place on Fremont Street between Folsom and Harrison streets on an 18,500 square foot site. The location and site size are consistent with the Planning Department's vision for Rincon Hill, which indicates that a substantial amount of development (mid-rise and high-rise) will occur on Fremont Street on sites that range from 13,814 square feet to 27,516 square feet (see Appendix B, Exhibit B-3).

### Mid-Rise, Proposed Zoning

The Mid-Rise, Proposed Zoning is an eight-story "L-shaped" building reaching up to 83 feet in height. The total gross square footage of both the rental and for-sale building is 115,920 square feet. Assuming a residential efficiency ratio of 83 percent and that only 50 percent of the ground floor consists of residential development with the remaining square footage on the ground floor for project amenities (i.e., fitness center, business center) and parking entrances, the net residential area for both the rental and for-sale buildings is approximately 90,000 square feet<sup>7</sup>.

<sup>7</sup> Table 9 indicates slight variations in the net residential square footage. This is due to rounding differences in the efficiency ratio to eliminate fractional units.



The total number of units depends on the size of the units and the unit mix, which is summarized in Table 10.

**Table 10:**  
**Unit Mix and Size, by Unit Type**

|                             | Rental   |                                 | For-Sale |                                 |
|-----------------------------|----------|---------------------------------|----------|---------------------------------|
|                             | Unit Mix | Avg. Unit Size<br>(Net Sq. Ft.) | Unit Mix | Avg. Unit Size<br>(Net Sq. Ft.) |
| Junior One Bedroom/One Bath | 10%      | 500                             | 10%      | 550                             |
| One Bedroom/One-Bath        | 35%      | 650                             | 35%      | 800                             |
| Two-Bedroom/Two-Bath        | 45%      | 950                             | 45%      | 1,150                           |
| Three-Bedroom/Three-Bath    | 10%      | 1,200                           | 10%      | 1,400                           |
| Total/Weighted Average      | 100%     | 825                             | 100%     | 993                             |

Sources: SPUR; Rincon Hill landowners; Planning Department; and Sedway Group.

For simplicity, the unit mix for both the rental and for-sale projects are assumed to be the same, with differences in the unit sizes to reflect the fact that condominium units are often larger than apartment units. The unit mix and unit sizes outlined in Table 10 are also used in the high-rise building prototype.

At an average size of 825 net rentable square feet, the mid-rise rental project accommodates 109 units. The mid-rise for-sale units are somewhat larger than the rental units resulting in an average size of 993 net square feet. As a result, the for-sale project consists of 91 units.

Assuming that a conditional use is required for approvals, 12 percent of the total number of units must be affordable according to the City of San Francisco's inclusionary housing ordinance (Section 315 of the City and County of San Francisco Planning Code)<sup>8</sup>. Thus, the rental project will generate 13 units for households earning 60 percent of area median income and the for-sale project will generate 11 units for households earning 100 percent of area median income.

At a 1:2 parking ratio, the total number of parking spaces allowed under the proposed zoning guidelines is 55 for the rental project and 46 for the for-sale project. However, lifts are used to achieve a 1:1 parking ratio. To accommodate the parking requirement, an underground parking garage of 1.5 floors (28,000 square feet) is developed. The resulting parking garage accommodates 62 parking spaces at an average size of about 450 square feet per stall. To achieve a 1:1 parking ratio, 47 parking lifts are required for the rental project and 29 parking lifts are required for the for-sale project. For the rental project, the lifts are assumed to be tenant-operated, while for the for-sale project, valet service is assumed, which is consistent with the service level associated with upscale condominium projects.

### High-Rise, Existing Zoning

The High-Rise, Existing Zoning is a 24-story square shaped building (106 feet by 106 feet at the base) reaching up to 239 feet in height. Both the rental and for-sale buildings total approximately 231,000 square feet. Assuming a residential efficiency ratio of 83 percent for the first 10 floors, 80 percent for the tower (floors 11 through 24), and that only 30 percent of the ground floor consists of residential development with the remaining square footage on the ground floor for project amenities (i.e., fitness center, business center) and parking entrances, the net residential area for both the rental and for-sale buildings is about 180,600 square feet<sup>9</sup>.

<sup>8</sup> The City of San Francisco's inclusionary housing ordinance indicates that only 10 percent of the total number of units need to be affordable. However, if a conditional use or planned unit development permit is required for approvals, 12 percent of all the units developed at any given project subject to this ordinance must be affordable.

<sup>9</sup> Table 9 indicates slight variations in the net residential square footage. This is due to rounding differences in the efficiency ratio to eliminate fractional units.



While existing zoning guidelines require a maximum average tower floor plate (floors 11 through 24) of 7,500 square feet, this analysis assumes that the average tower floor plate (floors 11 through 24) is 9,000 square feet. Further, although existing zoning guidelines allow for multifamily residential development up to 250 feet in height, this analysis assumes that multifamily residential development under existing zoning guidelines will not exceed 240 feet due to the additional structural system requirements once a building exceeds 240 feet in height. These assumptions conform to recently completed projects in Rincon Hill such as Bridgeview Tower and Avalon Towers. As actual development in Rincon Hill has not conformed to the existing zoning guidelines, these assumptions regarding average larger tower floor plates and lower heights are considered more realistic.

Even though the High-Rise, Existing Zoning consists of a larger floor plate than what is allowed under existing zoning guidelines, the total gross square footage of the building does not exceed the total amount of gross square footage that would be allowed under existing zoning guidelines. Under existing zoning guidelines, assuming development up to a height of 240 feet, a tower in Rincon Hill would consist of approximately 230,000 gross square feet of development (excluding the parking garage), with residential gross square footage of approximately 222,000 gross square feet, assuming underground parking and 30 percent residential development on the ground floor (refer to Appendix C, Exhibit C-7).

Assuming an average unit size of 825 net rentable square feet for the rental project and 993 net square feet for the for-sale project, the rental project is estimated to generate 219 units and the for-sale project is estimated to consist of 182 units. Of the total number of units, the rental project contains 27 affordable units, and the for-sale project includes 22 affordable units, that are subject to the City's inclusionary housing ordinance.

At a 1:1 parking ratio, the total number of parking spaces allowed under the existing zoning guidelines is 219 for the rental project and 182 for the for-sale project. For the rental project, the parking requirement is accommodated in an underground parking garage of about 5.5 floors consisting of 102,000 gross square feet, while the for-sale project requires an underground garage of 4.5 floors consisting of about 83,000 square feet.

### High-Rise, Proposed Zoning

The High-Rise, Proposed Zoning is a 40-story square shaped building reaching up to 395 feet in height. Both the rental and for-sale building total approximately 417,000 square feet. Assuming a residential efficiency ratio of 83 percent for the podium (first eight floors), 79 percent for the tower (floors nine through 40), and that only 30 percent of the ground floor consists of residential development with the remaining square footage on the ground floor for project amenities (i.e., fitness center, business center) and parking entrances, the net residential area for both the rental and for-sale buildings is about 326,000 square feet<sup>10</sup>.

Assuming an average unit size of 825 net rentable square feet for the rental project and 993 net square feet for the for-sale project, the rental project consists of 395 units and the for-sale project contains 329 units. Of the total number of units, the rental project includes 48 affordable units, and the for-sale project contains 40 affordable units, that are subject to the City's inclusionary housing ordinance.

At a 1:2 parking ratio, the total number of parking spaces allowed under the proposed zoning guidelines is 198 for the rental project and 165 for the for-sale project. However, car lifts can be used

<sup>10</sup> Table 9 indicates slight variations in the net residential square footage. This is due to rounding differences in the efficiency ratio to eliminate fractional units.



achieve a 1:1 parking ratio. The underground parking garage consists of 5 floors (93,000 square feet) for the rental project and 4 floors (74,000 square feet) for the for-sale project. As a result, the parking garage for the rental project can accommodate 207 parking spaces and the parking garage for the for-sale project can accommodate 164 parking spaces. To achieve a 1:1 parking ratio, 188 parking lifts are required for the rental project and 164 parking lifts are required for the for-sale project. As with the Mid-Rise, Proposed Zoning building, the rental project is assumed to be self-service, with the tenants operating the car lifts. For the for-sale product, valet service is assumed, which is consistent with the service level associated with upscale condominium projects.

## MULTIFAMILY RENTAL DEVELOPMENT

### Development Costs

Table 11 summarizes development costs, which consists of direct and indirect costs for prototypical multifamily rental development in Rincon Hill. Direct costs include demolition, foundation, infrastructure, superstructure, common areas, etc. Estimates of direct construction costs were provided by Webcor and Pankow. After the direct costs were adjusted for a three percent general contractor's contingency, the two sources were within 10 percent of each other. For each category (i.e., Mid-Rise, Proposed Zoning; High-Rise, Existing Zoning; High-Rise, Proposed Zoning), the lower construction cost estimate was used.

Indirect costs include architecture and engineering, permits and fees, marketing costs, insurance, and financing costs. Estimates of indirect costs are based on Sedway Group's project expertise and feedback from local developers.

**Table 11:**  
**Estimated Development Costs – Multifamily Rental**

|                            | Mid-Rise,<br>Proposed Zoning | High-Rise,<br>Existing Zoning | High-Rise,<br>Proposed Zoning |
|----------------------------|------------------------------|-------------------------------|-------------------------------|
| Direct Costs               | \$25,569,750                 | \$56,170,020                  | \$97,837,640                  |
| Indirect Costs             | 6,251,097                    | 15,927,450                    | 30,167,059                    |
| Total Development Costs    | \$31,820,847                 | \$72,097,470                  | \$128,004,699                 |
| Per Building Gross Sq. Ft. | \$274.51                     | \$312.44                      | \$307.23                      |
| Per Unit                   | \$291,934                    | \$329,212                     | \$324,063                     |

Sources: Webcor; Pankow; SPUR; and Sedway Group.

### Operating Assumptions

**Average Monthly Rental Rates – Market-Rate Units.** Table 12 summarizes the average monthly rental rates for market rate units, by unit type, for proposed multifamily residential development in Rincon Hill. Please note that these rents represent averages across the entire building.

**Table 12:**  
**Average Monthly Rental Rates for Market Rate Units, by Unit Type**

|                             | Mid-Rise,<br>Proposed Zoning |        | High-Rise,<br>Existing Zoning |        | High-Rise,<br>Proposed Zoning |        |
|-----------------------------|------------------------------|--------|-------------------------------|--------|-------------------------------|--------|
| Junior One Bedroom/One Bath | \$1,450                      | \$2.90 | \$1,550                       | \$3.10 | \$1,700                       | \$3.40 |
| One Bedroom/One-Bath        | 1,800                        | 2.77   | 2,000                         | 3.08   | 2,150                         | 3.31   |
| Two-Bedroom/Two-Bath        | 2,400                        | 2.53   | 2,600                         | 2.74   | 2,800                         | 2.95   |
| Three-Bedroom/Three-Bath    | 2,900                        | 2.44   | 3,100                         | 2.58   | 3,300                         | 2.75   |
| Weighted Average            | \$2,145                      | \$2.60 | \$2,334                       | \$2.83 | \$2,513                       | \$3.05 |

Sources: SPUR; Rincon Hill landowners; San Francisco Planning Department and Sedway Group.



Average monthly rental rates for units in the High-Rise, Existing Zoning reflect a premium to average monthly rates for the units in the Mid-Rise, Proposed Zoning. In like manner, the average monthly rental rates for units in the High-Rise, Proposed Zoning reflect a premium to units in the High-Rise, Existing Zoning. The premium assumed in this analysis, which ranges from 5 to 10 percent, is not based on a detailed market analysis, but is based on Sedway Group project experience and feedback from local apartment managers that indicated that units with views are likely to rent at a premium to units without views. A more thorough market analysis and site/building plan is required to determine the magnitude of the premium and the number of units with potential unobstructed views.

This analysis also assumes that self-operated car lifts will not impact demand or achievable rents for rental product in either the Mid-Rise, Proposed Zoning or High-Rise, Proposed Zoning scenario. However, because car lifts are an unproven concept in San Francisco, it is yet to be determined whether this alternative parking arrangement will impact rents.

**Average Monthly Rental Rates – Below-Market-Rate Units.** Table 13 summarizes the average monthly rental rates for below-market-rate units, by unit type. San Francisco’s inclusionary housing ordinance (Section 315 of the City’s Planning Code) stipulates that units must be affordable to low-income households (i.e., households earning 60 percent of area median income). Please note that these rents are from the Mayor’s Office of Housing and reflect rents for units where utilities are not included in the rent.

**Table 13:**  
**Average Monthly Rental Rate for Below-Market-Rate Units, by Unit Type**

|                             | Monthly Rental Rate <sup>1</sup> |             |
|-----------------------------|----------------------------------|-------------|
|                             | Per Month                        | Per Sq. Ft. |
| Junior One-Bedroom/One-Bath | \$952                            | \$1.90      |
| One-Bedroom/One-Bath        | 1,082                            | 1.66        |
| Two-Bedroom/Two-Bath        | 1,193                            | 1.26        |
| Three-Bedroom/Three-Bath    | 1,306                            | 1.09        |
| Weighted Average            | \$1,141                          | \$1.38      |

1. Rent guidelines for units where the monthly rent excludes utilities.

Sources: San Francisco Mayor’s Office of Housing; City of San Francisco Planning Code Section 315; and Sedway Group.

**Parking Revenue.** In addition to the rents for the market-rate and below-market-rate units, parking revenue is assumed for all parking spaces (including those provided via parking lifts). Based on current parking charges at competitive apartment complexes in the market area, a \$200-per-space monthly revenue assumption is included in the analysis for all scenarios.

**Vacancy Rate.** Based on an analysis of long-term trends in the San Francisco apartment market, Sedway Group has determined that a 5 percent vacancy and collection loss rate for market-rate units is appropriate. From 1995 through 2003, the vacancy rate for institutional-grade multifamily rental product (projects with at least 50 units) in San Francisco averaged 3.5 percent. The mid-2004 market-wide vacancy rate is 5.1 percent (7.1 percent if a property in lease-up is included). A lower vacancy rate of 2 percent is applied to the below-market-rate units.

**Per Unit Operating Expenses.** Operating expenses includes items such as property taxes, security, management fees, capital reserves, and insurance. Based on feedback from the Technical Advisory Committee and Rincon Hill landowners, per unit operating expenses are assumed to be \$6,800 per unit in the mid-rise and \$8,000 per unit in the high-rise.



## MULTIFAMILY FOR-SALE DEVELOPMENT

### Development Costs

Table 14 summarizes development costs for the three for-sale projects. As with the rental product, estimates of direct costs were provided by Webcor and Pankow. As previously discussed, after the estimated construction costs were adjusted for a three percent general contractor's contingency, the two contractor's estimates were within 10 percent of each other. For each category (i.e., Mid-Rise, Proposed zoning; High-Rise, Existing Zoning; High-Rise, Proposed Zoning), the lower construction cost estimate was used.

**Table 14:**  
**Estimated Development Costs – Multifamily For-Sale**

|                            | Mid-Rise,<br>Proposed Zoning | High-Rise,<br>Existing Zoning | High-Rise,<br>Proposed Zoning |
|----------------------------|------------------------------|-------------------------------|-------------------------------|
| Direct Costs               | \$26,135,220                 | \$53,040,061                  | \$91,228,362                  |
| Indirect Costs             | 11,405,118                   | 26,934,476                    | 52,390,514                    |
| Total Development Costs    | \$37,540,338                 | \$79,974,537                  | \$143,618,876                 |
| Per Building Gross Sq. Ft. | \$323.85                     | \$346.57                      | \$344.70                      |
| Per Unit                   | \$412,531                    | \$439,421                     | \$436,532                     |

Sources: Webcor; Pankow; SPUR; and Sedway Group.

**Average Sales Prices – Market-Rate Units.** Table 15 summarizes average sales prices, by unit type, for proposed multifamily for-sale development in Rincon Hill. Please note that these sales prices represent averages across the entire building. Average sales prices are based on a survey of comparable projects in San Francisco and reflect the feedback of the Technical Advisory Committee, the Planning Department, and Rincon Hill landowners.

**Table 15:**  
**Average Sales Prices for Market-Rate Units**

|                             | Mid-Rise,<br>Proposed Zoning |             | High-Rise,<br>Existing Zoning |             | High-Rise,<br>Proposed Zoning |             |
|-----------------------------|------------------------------|-------------|-------------------------------|-------------|-------------------------------|-------------|
|                             | Total                        | Per Sq. Ft. | Total                         | Per Sq. Ft. | Total                         | Per Sq. Ft. |
| Junior One Bedroom/One Bath | \$375,000                    | \$682       | \$425,000                     | \$773       | \$475,000                     | \$864       |
| One Bedroom/One-Bath        | 550,000                      | 688         | 600,000                       | 750         | 650,000                       | 813         |
| Two-Bedroom/Two-Bath        | 700,000                      | 609         | 750,000                       | 652         | 800,000                       | 696         |
| Three-Bedroom/Three-Bath    | 850,000                      | 607         | 900,000                       | 643         | 950,000                       | 679         |
| Weighted Average            | \$630,000                    | \$635       | \$680,000                     | \$685       | \$730,000                     | \$736       |

Sources: Planning Department; SPUR; and Sedway Group.

Average sales prices for units in the High-Rise, Existing Zoning reflect a premium to average sales prices for units in the Mid-Rise, Proposed Zoning due to greater view potential for the units. Also, the average sales prices for units in the High-Rise, Proposed Zoning reflect a premium to average sales prices for units in the High-Rise, Existing Zoning, again based on views. The premium ranges from 5 percent to 10 percent and is not based on a detailed market analysis, but is based on the fact that units with views sell at a premium to units without views.

For the scenarios that include car lifts, this analysis assumes that the additional costs for valet service are passed onto the homeowner through increased homeowner association dues. As a result, the average sales prices for the Mid-Rise, Proposed Zoning and High-Rise, Proposed Zoning are reduced such that the homeowners' total monthly obligation (i.e., mortgage payment and homeowners association dues) is the same as in a for-sale project without a valet service. The valet service is estimated to cost about \$197,000 per year, which assumes 4.3 full-time equivalent employees at a



fully-loaded hourly rate (salary and benefits) of \$22.00 per hour. This results in the following adjustments to average sales prices:

- For the Mid-Rise, Proposed Zoning, given that there are only 91 units in the project, the homeowner will have to pay an additional \$180 in monthly homeowner association dues for the valet service. Assuming a fixed-rate mortgage with a 6.0 percent interest rate, 30-year amortization period, and 10 percent down payment, the result is a \$33,394 reduction in the average sales price.
- For the High-Rise, Proposed Zoning, the homeowner will have to pay an additional \$50 in monthly dues for the valet service. Assuming a fixed-rate mortgage with a 6.0 percent interest rate, 30-year amortization period, and 10 percent down payment, the result is a \$9,237 reduction in the average sales price.

For the Mid-Rise, Proposed Zoning and the High-Rise, Proposed Zoning, the adjusted sales prices represent a loss of more than \$3.0 million in gross sales proceeds compared to a similar product without valet service. Table 16 summarizes the average sales prices, by unit type, for the Mid-Rise, Proposed Zoning and High-Rise, Proposed Zoning.

**Table 16:**  
**Average Sales Prices for Market-Rate Units Under Proposed Zoning Guidelines (Adjusted for Valet Expenses)**

|                             | Mid-Rise  |             | High-Rise |             |
|-----------------------------|-----------|-------------|-----------|-------------|
|                             | Total     | Per Sq. Ft. | Total     | Per Sq. Ft. |
| Junior One Bedroom/One Bath | \$341,606 | \$621       | \$465,763 | \$847       |
| One Bedroom/One-Bath        | 516,606   | 646         | 640,763   | 801         |
| Two-Bedroom/Two-Bath        | 666,606   | 580         | 790,763   | 688         |
| Three-Bedroom/Three-Bath    | 816,606   | 583         | 940,763   | 672         |
| Weighted Average            | \$596,856 | \$601       | \$720,763 | \$726       |

Sources: SPUR; and Sedway Group.

**Average Sales Prices – Below-Market-Rate Units.** Table 17 summarizes the average sales prices for below-market-rate units, by unit type. San Francisco’s inclusionary housing ordinance (Section 315 of the City’s Planning Code) stipulates that for-sale units must be affordable to households earning median income (i.e., \$95,000 for a family of four). The prices from the Mayor’s Office of Housing are adjusted for the higher homeowner association assumed in our analysis than those used in the Mayor’s Office of Housing tables. The following prices are before a further downward adjustment accounting for additional homeowner association dues from the valet service in the Mid-Rise, Proposed Zoning and the High-Rise, Proposed Zoning.

**Table 17:**  
**Average Sales Prices for Below-Market-Rate Units**

|                             | Average Sales Price <sup>1</sup> |             |
|-----------------------------|----------------------------------|-------------|
|                             | Total                            | Per Sq. Ft. |
| Junior One Bedroom/One Bath | \$210,047                        | \$382       |
| One Bedroom/One-Bath        | 251,345                          | 314         |
| Two-Bedroom/Two-Bath        | 292,644                          | 254         |
| Three-Bedroom/Three-Bath    | 333,942                          | 239         |
| Weighted Average            | \$274,059                        | \$276       |

1. Prices are adjusted by the higher homeowner association dues assumed in this analysis than those included in the source tables.  
Sources: San Francisco Mayor’s Office of Housing; City of San Francisco Planning Code Section 315; and Sedway Group.

Table 18 summarizes the average sales prices for below market rate units, by unit type, after downward adjustments resulting from additional homeowner association dues from the valet service.



**Table 18:**  
**Average Sales Prices for Below-Market-Rate Units After Adjustment for Valet Expenses**

|                             | Mid-Rise, Proposed Zoning |             | High-Rise, Proposed Zoning |             |
|-----------------------------|---------------------------|-------------|----------------------------|-------------|
|                             | Total                     | Per Sq. Ft. | Total                      | Per Sq. Ft. |
| Junior One Bedroom/One Bath | \$181,563                 | \$330       | \$202,169                  | \$368       |
| One Bedroom/One-Bath        | 222,861                   | 279         | 243,467                    | 304         |
| Two-Bedroom/Two-Bath        | 264,159                   | 230         | 284,765                    | 248         |
| Three-Bedroom/Three-Bath    | 305,457                   | 218         | 326,063                    | 233         |
| Weighted Average            | \$245,575                 | \$247       | \$266,181                  | \$268       |

Sources: SPUR; and Sedway Group.

**Homeowner Association ("HOA") Dues.** Table 19 summarizes HOA dues for multifamily for-sale development in Rincon hill. Based on a survey of comparable for-sale projects in Rincon Hill, HOA dues are typically about \$500 per month. However, because of the valet service and lifts that are included in development scenarios under proposed zoning guidelines, the HOA dues are increased to reflect the cost of the service.

**Table 19:**  
**Monthly Homeowner Association Dues**

|                                   | Mid-Rise,<br>Proposed Zoning | High-Rise,<br>Existing Zoning | High-Rise,<br>Proposed Zoning |
|-----------------------------------|------------------------------|-------------------------------|-------------------------------|
| HOA Dues                          | \$500                        | \$500                         | \$500                         |
| Additional Dues for Valet Service | 180                          | 0                             | 50                            |
| Total HOA Dues                    | \$680                        | \$500                         | \$550                         |

Sources: SPUR; and Sedway Group.



## V. FINANCIAL FEASIBILITY OF MULTIFAMILY RESIDENTIAL

In evaluating the financial feasibility of prototypical multifamily residential development in Rincon Hill, Sedway Group estimated the residual land value – the imputed value of land given the costs of development and anticipated returns. It is an important criterion because it suggests the maximum price a developer would be willing to pay for land given a specified development program. Consequently, if the residual land value is negative, or less than typical market prices, a development project will generally not be feasible and the developer will not proceed with the project.

### BENCHMARK

For purposes of this analysis, the benchmark is the market price for land based on actual, recent entitled land sales in Rincon Hill and surrounding areas. By comparing the residual land value generated by multifamily residential development under **proposed** zoning guidelines to this benchmark, we can measure the impacts of potential zoning changes and the feasibility of imposing an impact fee on new development.<sup>11</sup>

- If the residual land value generated by multifamily residential development under proposed zoning guidelines **is less than** the benchmark, we concluded that multifamily residential development under proposed zoning guidelines cannot support an impact fee.
- If the residual land value generated by multifamily residential development under proposed zoning guidelines **exceeds** the benchmark, then an impact fee can be imposed on new development under the proposed zoning guidelines. In this case, the impact fee is quantified such that the maximum impact fee is achieved when the residual land value from multifamily residential development under proposed zoning guidelines is equal to that indicated for development under existing guidelines.

This analysis also considers the impact of current market conditions on the feasibility of an impact fee. Over the past four years, the rental market in San Francisco has experienced steep declines in average monthly rental rates, which has severely impacted the feasibility of multifamily rental development. At the same time, due to the historically low interest-rate environment, the for-sale market has performed exceptionally well. Therefore, this analysis considers changes in market conditions, such as increases in rental rates and decreases in for-sale prices, on the feasibility of multifamily development in Rincon Hill.

### PROTOTYPICAL MULTIFAMILY RENTAL DEVELOPMENT

To determine the residual land value for multifamily rental development, Sedway Group utilized a return on cost methodology – that is, the amount a developer could pay for land given its return requirement, the revenue generated for the project, and total development costs. Typically, the returns required on new development are higher than on existing stabilized development. This reflects the premium that is needed to entice the developer to undertake the risk of building and leasing a new project. Thus, the premium for multifamily rental projects is usually about 150 to 200 basis points over capitalization rates for existing product. Reasonable capitalization rates for larger apartment developments in the broader

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<sup>11</sup> As the purpose of this assignment is to evaluate the proposed changes, it is not appropriate to compare the results of the financial feasibility analysis for the existing zoning scenario to the land value benchmark, outside of a general check for reasonableness.



market area are currently about 6.5 percent, which indicates that the return on cost for new rental developments should be about 8.0 to 8.5 percent. For purposes of this analysis, we assumed that the threshold return on cost is 8.0 percent for the Mid-Rise, Proposed Zoning, 8.25 percent for the High-Rise, Existing Zoning, and 8.5 percent for the High-Rise, Proposed Zoning. ***The return on cost assumption increases as the development becomes larger and taller, and thus entails greater risk due to greater capital outlays and longer non-phased absorption.***

## Residual Land Value

Table 20 summarizes the residual land values generated for the three rental alternatives and Exhibits D-7 through D-18 in Appendix D consist of the detailed financial output.

**Table 20:**  
**Summary Residual Land Value Analysis**  
**Multifamily Rental Development**

|                                      | Mid-Rise,<br>Proposed Zoning<br>109 Units | High-Rise,<br>Existing Zoning<br>219 Units | High-Rise,<br>Proposed Zoning<br>395 Units |
|--------------------------------------|-------------------------------------------|--------------------------------------------|--------------------------------------------|
| Annual Net Operating Income          | \$2,035,574                               | \$4,244,543                                | \$8,358,241                                |
| Return on Cost                       | 8.00%                                     | 8.25%                                      | 8.50%                                      |
| Warranted Investment                 | \$25,444,673                              | \$51,449,006                               | \$98,332,247                               |
| Direct Development Costs             | 25,569,750                                | 56,170,020                                 | 97,837,640                                 |
| Indirect Development Costs           | 6,251,097                                 | 15,927,450                                 | 30,167,059                                 |
| Less Total Dev. Costs Excluding Land | \$31,820,847                              | \$72,097,470                               | \$128,004,699                              |
| Total Residual Land Value            | (\$6,376,172)                             | (\$20,648,464)                             | (\$29,672,452)                             |
| Residual Land Value Per Unit         | (\$58,497)                                | (\$94,285)                                 | (\$75,120)                                 |

1. For detail see Exhibits D-1 to D-2.

Sources: Webcor; Pankow; Planning Department; SPUR; and Sedway Group.

The results of the financial analysis indicate that, under current market conditions, multifamily rental development is not feasible and cannot support an impact fee. Each of the rental prototypes generated a negative residual land value. Further, as demonstrated in Exhibit D-3 in Appendix D, even with a 20 percent increase in the average monthly rental rate for market-rate units, the residual land values generated by prototypical multifamily rental development in Rincon Hill remain negative and cannot support an impact fee. This is indicative of the economics associated with rental development and is supported by historical development trends in Rincon Hill, in which only one rental project (Avalon Towers) has been built.

In spite of this outcome, there may be a possibility that multifamily rental development in Rincon Hill could occur. However, even under the following circumstances, Sedway Group is very doubtful that multifamily rental development in Rincon Hill can support an additional impact fee to fund community improvements in Rincon Hill. This scenario would need to include in addition to a more than 20 percent increase in average monthly rental rates for market-rate units (or perhaps a reduction in development costs), some combination of the following conditions:

- Apartment REIT developer. An apartment REIT developer such as AvalonBay, which developed AvalonTowers, is more likely to pursue a multifamily rental project in Rincon Hill for the following reasons:
  - Access to low cost financing;
  - Long-term hold strategy to weather market cycles; and
  - Ability to leverage project expertise to realize cost savings in the development process and property management.



- Low-income tax-exempt bond financing. This type of financing lowers development costs and enhances cash flow through low interest rates. In addition, this financing generates low-income housing tax credits that can be used to offset the developer's equity requirement. The Paramount (680 Mission Street) is an example of a multifamily rental project financed with low-income tax-exempt bond financing.
- Above grade parking. Given the exorbitant cost of below grade parking, partial or complete above grade parking is a meaningful way to reduce development costs.

## PROTOTYPICAL MULTIFAMILY FOR-SALE DEVELOPMENT

In the early stages of the development process, developers analyze the expected development profit, commonly referred to as gross margin, in order to calculate financial feasibility. The gross margin is calculated by deducting all development costs, including land acquisition, predevelopment, design, permits and fees, construction, marketing and financing costs, from proceeds generated from total sales proceeds and then dividing the remainder by the total sales proceeds. Gross margins may be expressed as a percentage of sales proceeds or development costs – the relationship being that, if expressed as a percentage of development costs, the gross margin threshold is higher than that based on sales proceeds.

A developer will expect a higher gross margin for high-rise product in comparison to mid-rise product because of the additional risk associated with the longer construction period. Larger projects also increase risk and merit a higher gross margin due to longer anticipated sell-out periods. What drives the increasingly higher gross margin thresholds is the equity capital that developers use to finance their projects. ***As projects take longer to build and sell-out, the equity capital is invested for a longer period of time, which increases the gross margin thresholds.***

In order to obtain financing commitments, developers must be able to demonstrate gross margins (based on development costs) that exceed 20 percent for the Mid-Rise, Existing Zoning, 25 percent for the High-Rise, Existing Zoning, and 30 percent for the High-Rise Proposed Zoning. If expressed as a percentage of sales proceeds, these gross margin rates would be 17 percent, 20 percent, and 25 percent, respectively, for the three scenarios. Based on Sedway Group's discussions with developers, lenders, and equity partners, these rates are reasonable, if not at the low end of the reasonable range for an assumed entitled development.

### Residual Land Value

Table 21 summarizes the residual land value generated for the three prototypical multifamily for-sale projects in Rincon Hill. Detailed financial model output can be found in Appendix D, Exhibits D-19 through D-33.



**Table 21**  
**Summary Residual Land Value Analysis**  
**Multifamily For-Sale Development**

|                                      | Mid-Rise,<br>Proposed Zoning<br>91 Units | High-Rise,<br>Existing Zoning<br>182 Units | High-Rise,<br>Proposed Zoning<br>329 Units |
|--------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| Total Gross Sales Proceeds           | \$50,457,919                             | \$114,894,258                              | \$219,184,256                              |
| Threshold Gross Profit Margin        | 20%                                      | 25%                                        | 30%                                        |
| Warranted Investment                 | \$42,048,266                             | \$91,915,406                               | \$168,603,274                              |
| Direct Development Costs             | 26,135,220                               | 53,040,061                                 | 91,228,362                                 |
| Indirect Development Costs           | 11,405,118                               | 26,934,476                                 | 52,390,514                                 |
| Less Total Dev. Costs Excluding Land | \$37,540,338                             | \$79,974,537                               | \$143,618,876                              |
| Total Residual Land Value            | \$4,507,928                              | \$11,940,869                               | \$24,984,398                               |
| Residual Land Value Per Unit         | \$49,538                                 | \$65,609                                   | \$75,940                                   |

1. For detail see Exhibits D-4 to D-5.

Sources: Webcor; Pankow; Planning Department; SPUR; and Sedway Group.

### Benchmark Calculation and Comparison

Figure 3 demonstrates that sales prices of land entitled for multifamily residential development has ranged from \$50,000 per unit to \$100,000 per unit between 1998 – 2004. As shown by Table 21, all three development scenarios meet the minimum benchmark, with the High-Rise, Existing Zoning and the High-Rise, Proposed Zoning scenarios exceeding it. However, it is important to point out that these indicated residual land values are highly sensitive. Sensitivity analysis indicates that a five percent decline in average sales prices for market-rate units, results in residual land values at or below the minimum benchmark for all three scenarios (See Exhibit D-6 in Appendix D).

The indicated land value for the High-Rise, Existing Zoning scenario is \$11.9 million, or \$65,600 per unit, which is within the land value range illustrated in Figure 3. Therefore, this is the benchmark value against which the projects under the proposed zoning are compared. The Mid-Rise, Proposed Zoning cannot support an impact fee because the land value (\$4.5million, \$49,500 per unit) is less than that for the High-Rise, Existing Zoning scenario.

In the case of the High-Rise, Proposed Zoning, Sedway Group performed a sensitivity run calculating the residual land value under different impact fee assumptions from \$0.00 to \$20.00 per net square foot of building area. As shown by Exhibit D-5, at a \$9.00 per net square foot impact fee, the residual land value of the High-Rise, Proposed Zoning scenario is \$64,700 per unit.

However, Sedway Group recommends that the impact fee should not absorb all of the value gain associated with the proposed zoning. Since 2001, the multifamily for-sale market has performed extremely well, benefiting from historically low interest rates. As interest rates begin to rise, this is anticipated to have a negative impact on the multifamily for-sale market, resulting in slower absorption of units and/or a decline in average sales prices for market-rate units. This is particularly the case if significant increases in interest rates are not balanced by local job growth. Again, as demonstrated in Exhibit D-6 (Appendix D), in the event average sales prices for market-rate units decline by as little as five percent, the residual land value generated by the High-Rise, Proposed Zoning declines to \$52,900 per unit, resulting in a land value that is at the low end of the benchmark land value range. In this scenario, the High-Rise, Proposed Zoning cannot afford the impact fee.

In addition, we recommend as a general practice that when rezoning increases land values, that the increment be split evenly between landowners and the City, in order to maintain incentives to take advantage of the rezoning and pursue development. Therefore, Sedway Group recommends that the



impact fee for High-Rise, Proposed Zoning properties be no greater than \$5.00 per square foot of net building area. This retains the developer incentive to build in the event that the currently strong market weakens; this also accounts for the uncertainty over the acceptance of car lifts by condominium buyers.

**Figure 3:**  
**Sales of Entitled Land in Rincon Hill and the Surrounding Area**  
**1998 – 2004**



Sources: CoStar; First American Real Estate Solutions; CB Richard Ellis; and Sedway Group.

## Conclusions

Table 22 demonstrates the maximum impact fee that multifamily residential development under proposed zoning guidelines can support.

**Table 22:**  
**Summary Impact Fee Analysis**

|                            | Supportable<br>Impact Fee Per Net Sq. Ft. |
|----------------------------|-------------------------------------------|
| Mid-Rise, Proposed Zoning  |                                           |
| Rental                     | \$0                                       |
| For-sale                   | \$0                                       |
| High-Rise, Proposed Zoning |                                           |
| Rental                     | \$0                                       |
| For-sale                   | Up to \$5.00                              |

Sources: Webcor; Pankow; SPUR; and Sedway Group.



Of the four proposed zoning development prototypes analyzed as part of this analysis, only the for-sale High-Rise, Proposed Zoning can afford an impact fee. The impact fee supported by the for-sale High-Rise, Proposed Zoning is up to \$5.00 per net square foot of residential development.<sup>12</sup>

### Analysis of Existing Impact Fees

In spite of this outcome, the multifamily residential projects generate benefits to the City in the form of school impact fees and inclusionary housing, which represent costs to the developer that negatively impact financial feasibility. Table 23 summarizes the school impact fees generated by the multifamily rental projects and the costs of providing inclusionary housing.<sup>13</sup> As shown, these impacts total to \$26.00 to \$36.00 per net square foot of building area.

**Table 23:**  
**Existing Impact Fees – Prototypical Multifamily Rental Development**

|                                                       | Mid-Rise,<br>Proposed Zoning<br>109 Units | High-Rise,<br>Existing Zoning<br>219 Units | High-Rise,<br>Proposed Zoning<br>395 Units |
|-------------------------------------------------------|-------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>School Impact Fees</b> (\$1.72 per Net Sq. Ft.)    | \$154,671                                 | \$310,762                                  | \$560,505                                  |
| <b>Inclusionary Housing</b> <sup>1</sup>              |                                           |                                            |                                            |
| Lost Income from Below Market-Rate Units <sup>2</sup> | \$141,996                                 | \$357,373                                  | \$728,283                                  |
| Capitalization Rate <sup>3</sup>                      | 6.5%                                      | 6.5%                                       | 6.5%                                       |
| Capitalized Value of Lost Income                      | \$2,184,558                               | \$5,498,042                                | \$11,204,352                               |
| Per Net Square Foot                                   | \$24.29                                   | \$30.43                                    | \$34.38                                    |
| Per Unit                                              | \$20,042                                  | \$25,105                                   | \$28,365                                   |
| Per BMR Unit                                          | \$168,043                                 | \$203,631                                  | \$233,424                                  |
| <b>Total Impacts</b>                                  | <b>\$2,339,229</b>                        | <b>\$5,808,804</b>                         | <b>\$11,764,857</b>                        |
| <b>Per Net Square Foot</b>                            | <b>\$26.01</b>                            | <b>\$32.15</b>                             | <b>\$36.10</b>                             |
| <b>Per Unit</b>                                       | <b>\$21,461</b>                           | <b>\$26,524</b>                            | <b>\$29,784</b>                            |

1. Assumes that a conditional use is required for approvals and that the inclusionary housing requirement is satisfied through onsite housing, as a result, 12 percent of the total of units are for households earning 60 percent of area median income per the City of San Francisco's inclusionary housing ordinance (Section 315 of the City and County of San Francisco Planning Code)

2. Represents the difference in the annual net operating income generated by below market-rate units and the potential net operating income that could be generated by these units at market rates.

3. Represents current capitalization rates for multifamily rental product in San Francisco. Capitalization rates will vary depending on market conditions.

Sources: Webcor; Pankow; Planning Department; SPUR; and Sedway Group.

<sup>12</sup> Since 2001, the multifamily for-sale market has performed extremely well. As interest rates begin to rise, this is anticipated to have a negative impact on the multifamily for-sale market. This is particularly the case if significant increases in interest rates are not balanced by local job growth. Sensitivity analysis indicates that if average sales prices for market-rate units decline by as little as five percent, the residual land value generated by the High-Rise, Proposed Zoning can no longer support an impact fee.

<sup>13</sup> Although a multifamily rental project could satisfy the inclusionary requirement by paying an in-lieu fee averaging \$171,655 per unit applied to a 17 percent ratio, it is not recommended as this cost exceeds that estimated by providing for 12 percent affordable units on-site.



Table 24 summarizes the school impact fees generated by the multifamily for-sale projects and the costs of providing inclusionary housing. As shown, the existing impacts amount to a range of \$42.00 to \$55.00 per net square foot of building area.

**Table 24:**  
**Existing Impact Fees – Prototypical Multifamily For-sale Development**

|                                                       | Mid-Rise,<br>Proposed Zoning<br>91 Units | High-Rise,<br>Existing Zoning<br>182 Units | High-Rise,<br>Proposed Zoning<br>329 Units |
|-------------------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>School Impact Fees</b> (\$1.72 per Net Sq. Ft.)    | \$155,346                                | \$310,693                                  | \$561,636                                  |
| <b>Inclusionary Housing</b> <sup>1</sup>              |                                          |                                            |                                            |
| Lost Income from Below Market-Rate Units <sup>2</sup> | \$3,668,269                              | \$8,484,168                                | \$17,274,120                               |
| Per Net Square Foot                                   | \$40.62                                  | \$46.97                                    | \$52.90                                    |
| Per Unit                                              | \$40,311                                 | \$46,616                                   | \$52,505                                   |
| Per BMR Unit                                          | \$333,479                                | \$385,644                                  | \$431,853                                  |
| <b>Total Impacts</b>                                  | <b>\$3,823,615</b>                       | <b>\$8,794,861</b>                         | <b>\$17,835,756</b>                        |
| Per Net Square Foot                                   | <b>\$42.34</b>                           | <b>\$48.69</b>                             | <b>\$54.62</b>                             |
| Per Unit                                              | <b>\$42,018</b>                          | <b>\$48,323</b>                            | <b>\$54,212</b>                            |

1. Assumes that a conditional use is required for approvals and that the inclusionary housing requirement is satisfied through onsite housing, as a result, 12 percent of the total of units are for households earning 100 percent of area median income per the City of San Francisco's inclusionary housing ordinance (Section 315 of the City and County of San Francisco Planning Code)

2. Represents the difference in the net sales proceeds generated by below market-rate units and the net sales proceeds generated by market-rate units.

Sources: Webcor; Pankow; Planning Department; SPUR; and Sedway Group.

### Alternative Analysis With In-Lieu Fee

Given the significant cost associated with inclusionary housing, which amounts to \$333,000 to \$432,000 per below-market-rate unit, as shown above, Sedway Group performed a sensitivity analysis for the multifamily for-sale development scenarios. This sensitivity analysis assumed that an in-lieu fee is paid instead of providing the below-market-rate units within the project.<sup>14</sup> For the in-lieu fee, the affordable unit requirement is 17 percent of the project (as opposed to 12 percent when the affordable units are provided on-site). According to the Mayor's Office of Housing, the in-lieu fee ranges from \$90,131 per unit for a studio to \$277,279 per unit for a three-bedroom floorplan. Based upon the unit mix utilized in this feasibility analysis, the weighted average in-lieu fee is \$171,655 per unit. This amount equates to an impact of \$29.40 per net square foot of building area.

Table 25 on the following page summarizes the results of the analysis, which indicates that, although the in-lieu payment is lower than the lost income associated with the market rate units (by approximately 28 to 44 percent), payment of the in-lieu fee reduces the indicated residual land value. This is due to the increased up-front cost of the in-lieu fee, which in turn increases a variety of indirect construction costs, primarily financing costs. Also, as all units are market-rate and take longer to sell (as below-market-rate units typically sell very rapidly), sales commissions are higher, and holding costs during the sell-out period are higher. Application of the threshold gross profit margin to these increased development costs more than compensates for the increased revenue associated with the building providing all market-rate units. In fact, while revenues across the three scenarios increased by 7.6 to 8.2 percent as a result of assuming that all units are market-rate, development costs increased by 9.3 to

<sup>14</sup> Alternatively, the developer could provide the below-market-rate units off-site with requirement being 17 percent of the project unit count. However, the costs of these off-site affordable projects vary tremendously, with one significant variable being the land cost. Therefore, the SPUR TAC recommended that in-lieu fee approach was the most effective way to analyze the financial impacts of providing the affordable units off-site.



11.2 percent. Therefore, most of the advantage of the in-lieu fee payment is mitigated by the increased development costs.

**Table 25:**  
**Summary Residual Land Value Analysis**  
**Multifamily For-Sale Development With In-Lieu Fee**

|                                      | Mid-Rise,<br>Proposed Zoning<br>91 Units | High-Rise,<br>Existing Zoning<br>182 Units | High-Rise,<br>Proposed Zoning<br>329 Units |
|--------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| Total Gross Sales Proceeds           | \$54,291,180                             | \$123,760,000                              | \$237,131,180                              |
| Threshold Gross Profit Margin        | 20%                                      | 25%                                        | 30%                                        |
| Warranted Investment                 | \$45,242,650                             | \$99,008,000                               | \$182,408,600                              |
| Direct Development Costs             | 26,135,220                               | 53,040,061                                 | 91,228,362                                 |
| Indirect Development Costs           | 14,899,062                               | 34,847,918                                 | 68,767,476                                 |
| Less Total Dev. Costs Excluding Land | \$41,034,282                             | 87,887,979                                 | 159,995,838                                |
| Total Residual Land Value            | \$4,208,369                              | \$11,120,021                               | \$22,412,762                               |
| Residual Land Value Per Unit         | \$46,246                                 | \$61,099                                   | \$68,124                                   |
| Memo: In-Lieu Fee Paid               | \$2,655,471                              | \$5,310,942                                | \$9,600,549                                |

Sources: Webcor; Pankow; Planning Department; SPUR; and Sedway Group.



## **VI. FUNDING COMMUNITY IMPROVEMENTS IN RINCON HILL**

California law provides for a variety of mechanisms to fund public infrastructure. Each funding tool involves different implementation procedures, voting requirements, authorized facilities, revenue sources, and security requirements. Some mechanisms provide a "pay-as-you-go" stream of revenues that will vary based on the rate of absorption of land uses that generate the revenues. Other mechanisms result in the issuance of bonded indebtedness that generates lump-sum funding, the repayment of which is amortized over many years. An infrastructure funding strategy may involve a combination of funding tools that results in overlapping one-time and annual burdens. Alternatively, one funding mechanism may be used on an interim basis and ultimately be removed when revenues are available to implement a replacement mechanism.

The following is a summary of alternatives that are currently available under California law to generate local funding for community improvements identified in the 2003 Plan. Discussions with the City and affected property owners will result in a process of elimination that will filter out mechanisms deemed infeasible or politically unacceptable. This summary focuses exclusively on the **qualitative** aspects of each funding mechanism. After the interested parties identify the most acceptable alternatives, a detailed, quantitative analysis will be needed to estimate the funding burdens associated with implementation of the funding strategy and the amount generated to support the proposed improvements.

A detailed description is provided for assessment district and Mello-Roos financing since these are two of the most commonly used funding mechanisms for public infrastructure. However, information is provided on most funding options that could be used and should be considered as part of the initial review process.

### **ASSESSMENT DISTRICTS (1913/1915 Act)**

#### **Background**

In 1979, the California Court of Appeals ruled that special benefit assessments levied pursuant to the Improvement Act of 1911 and Municipal Improvement Act of 1913 are not "special taxes" based on the definition set forth in Proposition 13. This ruling led to a proliferation of special assessment districts (AD) throughout the state, using the Municipal Improvement Act of 1913 proceedings to form the AD and the Improvement Bond Act of 1915 to issue bonds. In combination, these Acts provide a mechanism for public agencies to (i) fund the acquisition or construction of public infrastructure; (ii) apportion infrastructure costs against properties in a designated area that directly benefit from the infrastructure; (iii) issue tax-exempt, land-secured bonds to amortize payment of infrastructure costs over a 20 to 30-year term, and (iv) secure liens against property within the AD to ensure a reliable stream of revenues to pay debt service on the bonds.

#### **Eligible Facilities**

A 1913/1915 Act AD is authorized to fund public infrastructure that provides a direct and special benefit to properties within the AD. Eligible facilities generally include transportation improvements, water, sewer, storm drainage and flood control facilities, utilities, and landscaping. The required finding of direct and special benefit provides certain challenges when "regional" improvements, such as interchanges, bridges, and water and sewer treatment plants, are required. Typically, only the portion of



such facility costs that relates to the benefit received by the parcels in the AD can be funded by the AD. Facilities that provide “general benefit” to a community, such as schools, fire and police facilities, and parks, are typically not funded through 1913/1915 Act ADs. Because of the special benefit finding, improvements funded by an AD are typically located within the boundaries of the AD. An AD can also fund certain maintenance costs that are associated with the facilities funded by the AD.

### Implementation Procedures

The formation of an AD is initiated through either a petition submitted by 60% of the landowners in a proposed AD or through adoption of a resolution of determination and preliminary approval of a report by the legislative body of a public agency (the “Board”). The Board then adopts a resolution of intention, which designates the boundaries of the AD, describes the proposed improvements, orders the issuance of bonds, declares the agency’s intention to levy assessments, and orders preparation of an Engineer’s Report.

An assessment engineer prepares the Engineer’s Report, which describes the improvements proposed to be funded by the AD, provides a cost estimate for the facilities, includes an assessment diagram that shows the lines and dimensions of each parcel in the AD, defines the benefit received by each parcel in the AD, and determines the corresponding maximum lien and annual assessment that is assigned to each parcel. Because of the required special benefit finding, the boundaries of an AD are almost always contiguous. Property cannot be left out of the boundaries and assessments cannot be adjusted based on a property’s ability to pay, willingness to participate, or market feasibility.

Pursuant to Proposition 218, which was passed by the California voters in November 1996, each landowner is sent a notice of public hearing and a ballot that identifies the assessment assigned to his or her parcel. The owner is directed to return the ballot indicating their support or opposition to the assessment. At the public hearing, the public agency must determine whether a majority protest exists. In doing so, each ballot is weighted based on the amount of assessment assigned to the parcel. If ballots opposing the assessment outweigh the ballots submitted in favor of the assessment, the agency must abandon the assessment proceedings.

If there is not a majority protest, a 30-day cash payment period is commenced during which any property owner can prepay the assessment. After this 30-day period, bonds are sold in the amount of all unpaid assessments. AD bonds are tax-exempt, land-secured bonds, which means the ultimate remedy for non-payment of assessments is foreclosure on the property that is delinquent. There is no commitment from the public agency to pay assessments in the event of a delinquency or default, and there is no risk to the agency’s general fund if assessments are not paid.

After an AD is formed, the public agency is responsible for the annual levy of assessments, compliance with state and federal continuing disclosure requirements, monitoring delinquencies in the AD, and pursuing foreclosure on delinquent parcels.

### Revenues Created by, and Funding Limitations Associated With ADs

As discussed above, if no majority protest is received, an AD is created and annual assessments are authorized to be levied against all parcels within the AD that have an assigned assessment lien. This stream of annual assessments is used to pay debt service on tax-exempt municipal bonds, which are typically sold to institutional investors by a bond underwriting firm hired by the public agency. The liens assigned to each parcel in the AD are directly related to the portion of infrastructure costs attributable to the parcel’s special benefit from the facilities. The annual assessments are set in the amount needed to amortize the fixed lien over a defined bond term.



There are two limitations on the bonding capacity for an AD. First, the amount of bonds that can be sold is directly related to the liens assigned to parcels in the AD that were not prepaid during the 30-day cash payment period. Second, the appraised value of property in the AD is generally required to be at least three times the amount of the bonds being issued. The appraisal is based on the status of the property at the time AD bonds are sold.

#### **AD Financing for Rincon Hill Facilities**

Formation of an AD would generally be an option to consider for street improvements needed in Rincon Hill. The community center and library facilities will provide general benefits to the area and, therefore, would not qualify for AD financing. It appears that many of the street improvements would serve both existing and future development in Rincon Hill, which may require participation of existing homeowners and property owners. A ballot procedure that involves existing residents would be more likely to result in a majority protest, which adds an element of risk in proceeding with this approach. Alternatively, an AD could be formed to include only future development within Rincon Hill, but only that portion of the street improvements that are determined to provide special benefit to the new development could be funded through the AD.

If an AD is part of the Rincon Hill funding strategy, the City will need to hire an assessment engineer to prepare the Engineer's Report and determine the total lien and annual assessment for each parcel in the AD. There will be no option to exempt or reduce the assessment assigned to affordable units. An annual assessment will be included on the property tax bills for all property included within the AD. The City will be required to levy the annual assessments and comply with annual disclosure requirements associated with municipal bonds. The assessments will include an administrative component that will cover the annual costs the City incurs in administering the AD.



## Advantages and Disadvantages of AD Financing

Following is a summary of some of the advantages and disadvantages that should be considered in relation to using AD financing for improvements in Rincon Hill:

| Advantages                                                                                                                          | Disadvantages                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. ADs have been used for almost 100 years and have not been subjected to the bad press associated with Mello-Roos bonds.           | 1. The allocation of costs and spread of assessments must be based on the direct and special benefit received by each parcel in the AD.             |
| 2. Only a majority vote is needed to form an AD and levy assessments.                                                               | 2. If a property owner challenges the assessment, Proposition 218 shifted the burden of proof regarding the finding of special benefit to the City. |
| 3. Assessment allocations are generally straightforward and easy to understand.                                                     | 3. Public property cannot be exempt from the assessment unless it is determined that such property does not benefit from the improvements.          |
| 4. AD bonds are non-recourse to the City, so the City's general fund is not at risk.                                                | 4. Facilities funded by the AD must generally be located within the AD as a result of the special benefit finding.                                  |
| 5. A fixed lien is assigned to each parcel, which makes prepayment of the lien a simple procedure.                                  | 5. A parcel in the AD must pay its fair share from the start, regardless of the status or timing of development on the parcel.                      |
| 6. Assessments are spread based on direct benefit finding, which some owners will consider the most equitable distribution.         | 6. It is difficult to accommodate multiple series of bond in an AD; typically bonds are issued for all facilities at once.                          |
| 7. Assessment bonds are land-secured, municipal bonds and, therefore, carry a lower interest rate than a private construction loan. | 7. There are very few creative structuring techniques that can be used to keep assessments at a lower level in the early years of development.      |

## THE MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982

### Background

The Mello-Roos Community Facilities Act (the "Act") [Section 53311 et. seq. of the Government Code] was enacted by the California State Legislature in 1982 to provide an alternate means of financing public infrastructure and services subsequent to the passage of Proposition 13 in 1978. The Act complies with Proposition 13, which permits cities, counties, and special districts to create defined areas within their jurisdictions and, by a two-thirds vote within the defined area, impose special taxes to pay for the public improvements and services needed to serve that area. The Act defines the area subject to a special tax as a Community Facilities District (CFD).



## Eligible Facilities

A CFD may provide for the purchase, construction, expansion, or rehabilitation of any public improvement with an estimated useful life of at least five years. A CFD may also finance the costs of planning, design, engineering, and consultants involved in the construction of improvements or formation of the CFD. Facilities financed by a CFD do not have to be physically located within the CFD. There is no benefit finding required for a CFD, which makes Mello-Roos the most common method of financing facilities that provide "general benefit" to a community, such as schools, parks, police and fire facilities, freeway interchanges, and water and sewer treatment plants. In addition, a CFD can fund all backbone infrastructure that qualifies for assessment district funding.

In addition to public facilities, Mello-Roos can fund a variety of public services, including but not limited to police and fire protection, recreation and library services, park and open space maintenance, maintenance of flood and storm drainage facilities, and seismic retrofitting. Services are funded through the levy of an annual special tax, which can be included as part of a CFD that also levies a separate special tax to secure bonds to fund public facilities.

## Implementation Procedures

A CFD can be formed by almost any public agency, including many special districts. Formation of a CFD can be initiated by either a motion of the Board, a written request signed by two members of the Board, or a petition signed by 10% of either the registered voters or landowners within the CFD. Within 90 days of initiating proceedings to form a CFD, the Board adopts a resolution of intention to form the CFD and a resolution of necessity to incur bonded indebtedness. The resolution of intention sets forth the proposed boundaries of the CFD, the formula for allocating the special tax among properties in the CFD, facilities authorized to be funded by the CFD, and a date for a public hearing to consider formation of the CFD. At the public hearing, written protests may be submitted by voters or landowners within the CFD and, if a majority written protest exists (which is extremely rare), the CFD proceedings must be abandoned.

After the public hearing is closed, an election is conducted to authorize the levy of special taxes within the CFD. If there are less than 12 registered voters within the CFD, a landowner vote is conducted, with each landowner allowed one vote per acre or portion of acre owned within the CFD. If there are 12 or more registered voters within the CFD, a vote of the registered voters is required, with each voter allowed one vote in the election. When the vote is counted, at least two-thirds of the votes submitted must be in favor of levying the special tax.

Once a special tax has been authorized through a successful election, bonds are sold to fund public improvements. CFD bonds are tax-exempt, land-secured bonds, which means the ultimate remedy for non-payment of special taxes is foreclosure on the property that is delinquent. There is no commitment from the public agency to pay special taxes in the event of delinquency or default, and there is no risk to the agency's general fund if special taxes are not paid. After a CFD is formed, the public agency is responsible for the annual levy of special taxes, state and federal continuing disclosure requirements, monitoring delinquencies in the CFD, and pursuing foreclosure on delinquent parcels.

Unlike the assessment district acts, the Mello-Roos Act is extremely flexible as to the boundaries of the CFD. Parcels included in the CFD do not need to be contiguous; no finding is required that property in the CFD receives a special benefit from facilities being funded by the CFD; and parcels can be left out of the CFD to reduce the number of registered voters or to avoid taxing particular land uses. In addition, property can be annexed into the CFD after formation, and such annexed property will be subject to the special taxes levied on property that had been included in the CFD when it was formed.



## Revenues Created by, and Funding Limitations Associated With, CFDs

Formation of a CFD authorizes a public agency to levy a special tax on all taxable property within the CFD in the manner prescribed in the formation documents. Property owned or irrevocably offered to a public agency may be exempted from the special tax. Mello-Roos special taxes are collected at the same time and in the same manner as property taxes, unless otherwise specified by the agency. Special tax revenues may be used to pay debt service on bonds sold to provide funding for the construction or acquisition of public capital facilities; special taxes may also be used to pay directly for facilities and public services.

The Mello-Roos law requires that special taxes are spread to properties in a “reasonable” manner. This language provides considerable flexibility in the allocation of burdens among property types and allows for the tax formula to take into account market considerations, affordable housing and economic development goals, and the timing of development of properties in the CFD. Pursuant to Proposition 13, special taxes cannot be spread based on the assessed value of each parcel. Existing CFDs include special taxes spread based on size of unit, size of lot, type of land use, affordable vs. market rate units, and other project-specific criteria. In addition, most tax formulas include a series of steps that result in property that is further along in the development process being taxed first. For example, a tax formula might include the following steps of taxation:

- Step 1.** Levy the maximum tax on parcels for which a building permit has been issued;
- Step 2.** If additional revenue is needed, levy up to the maximum tax on parcels for which a final map has been recorded;
- Step 3.** If additional revenue is needed, levy up to the maximum tax on parcels for which a tentative map has been approved;
- Step 4.** If additional revenue is needed, levy up to the maximum tax on parcels for which no tentative map has been approved.

Having special tax tiers reduces the tax burden on property that is further away from generating a positive cash flow. This can reduce the carry on property that is not anticipated to be developed in the near term, which will reduce the risk of foreclosure and bond default.

There are two limitations on the financing capacity available from a CFD. First, the amount of special tax that can be levied on property is subject to market constraints and a public agency’s Mello-Roos policies (which are required to be in place before formation of the CFD). Although there is no legal limit as to the amount of special tax that can be levied, public policy and industry standards usually dictate a maximum total tax rate on residential units of 2 percent of the finished home value. The total tax rate includes the one percent base property tax rate, existing tax overrides, and overlapping assessments or special taxes from other financing districts on the property. Although 2 percent is the maximum allowable total tax rate in many areas, most CFDs in northern California include special taxes that result in a total tax rate of 1.5 percent to 1.8 percent of the home value. There is no standard for the maximum tax rate on non-residential property, which is usually limited to less than 2 percent by economic development objectives or the competitive marketplace.

## Mello-Roos Financing for Rincon Hill Facilities

All of the public improvements in the 2003 Plan are eligible facilities pursuant to the Mello-Roos Act. Due to the flexibility inherent in the Act, the boundaries of a CFD can be drawn to include only those parcels on which new development is expected. This is likely to result in less than 12 registered voters



being included within the boundaries and, therefore, will require only a vote of the landowners to establish the CFD. To the extent that new development within the Transbay district is also going to be required to participate in funding the community center and library, the boundaries could include parcels within the Transbay district as well. Properties that do not agree to participate when the CFD is formed can be annexed into the CFD at a later date. A vote of only the landowners within the area being annexed is required to approve the levy of taxes in the annexation area.

The special taxes levied within a CFD can be spread in a manner that accommodates the variety of housing types contemplated in the 2003 Plan. For example, the special tax rate could vary based on unit size, number of bedrooms, or location of the building. Affordable units can be exempt from the special tax or be subject to a lower special tax than market rate units. A special tax can be levied on commercial and industrial property based on the square footage of the building or acreage of the Public property can be exempted from the special tax.

The City and property owners would first want to consider the funding capacity available from a CFD in Rincon Hill, which can be calculated after preferred special tax rates are identified. Usually, numerous cash flow scenarios are prepared to assist the parties in determining the most effective special tax structure. If a CFD is to be formed, the City would select a financing team made up of bond counsel, financial advisor and/or underwriter, special tax consultant, and appraiser to begin the CFD formation process. Formation of a CFD typically takes from four to twelve months depending on the number of property owners that participate in the CFD. Within 60 days after the CFD is formed, bonds can be sold to fund public improvements. Up to 24 months of prepaid interest (capitalized interest) can be included in the bond issue, which means special taxes are levied within two years after bonds are sold.

There are a variety of creative financing structures that can be considered as part of a Mello-Roos program. For example, depending on the resources of property owners included in the CFD, variable rate bonds secured by a letter of credit can be used to increase the up-front funding available through a CFD. Variable rate debt is replaced with long-term, fixed-rate bonds when homeowners take over the tax payments to avoid variability in the special tax levied within the CFD. Mello-Roos can also be used in combination with tax increment funding (discussed further below), which may be an option if the Transbay facilities are included in the Rincon Hill financing strategy. There are numerous alternatives available through CFD funding, all of which can be explored in a quantitative manner as the project moves forward.



## Advantages and Disadvantages of Mello-Roos Financing

Following is a summary of some of the advantages and disadvantages that should be considered in relation to using Mello-Roos financing for improvements in Rincon Hill:

| Advantages                                                                                                                                                             | Disadvantages                                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. A Mello-Roos special tax can be spread in any "reasonable" manner, which can accommodate market and policy considerations.                                          | 1. A two-thirds vote, instead of a majority vote, is required to form a CFD.                                                                                                                            |
| 2. CFD boundaries can be non-contiguous, expand with annexations, and be drawn to include only properties who want to participate at the start.                        | 2. Mello-Roos special tax formulas are more complicated than AD assessment spreads.                                                                                                                     |
| 3. The special tax can be spread on various tiers of developed and undeveloped property to reduce the burden on parcels that will take longer to develop.              | 3. Mello-Roos does not result in a fixed lien being assigned to each parcel, which makes prepayment of special taxes a bit more complicated and slightly more expensive than prepayment of assessments. |
| 4. CFD bonds are non-recourse to the City, so the City's general fund is not at risk.                                                                                  | 4. Mello-Roos bonds require a 110 percent debt service coverage, which is not required for AD bonds.                                                                                                    |
| 5. A Mello-Roos financing program can easily accommodate multiple bond issues to fund later phases of improvements.                                                    | 5. Mello-Roos has a negative market perception in some areas.                                                                                                                                           |
| 6. The special tax can be structured to increase 2 percent per year (similar to property taxes), which will reduce the starting special tax rate by almost 20 percent. |                                                                                                                                                                                                         |
| 7. Revenues from other sources, such as tax increment, can be used to reduce special tax rates on property within the CFD.                                             |                                                                                                                                                                                                         |
| 8. Public parcels can be exempt from the special tax without a benefit finding.                                                                                        |                                                                                                                                                                                                         |

## IMPACT FEES

### Background

Impact fees are paid by builders or developers, typically at the time a building permit is issued. The public facilities funded by impact fees must be specifically identified, and there must be a reasonable relationship, or "nexus," between the type of development project and the need for the facilities, the cost of the facilities, and the need to impose a fee, pursuant to Section 66000 et. seq. (AB 1600) of the Government Code. Public agencies generally document the nexus through an AB1600 fee justification study.

### Eligible Facilities

Impact fees can be levied to fund any public improvement for which a nexus can be established between the improvement and the development from which the fee will be collected. Most public agencies in California collect impact fees to pay for backbone infrastructure, such as sewer, water, roadway, and storm drainage facilities. Many agencies also collect fees for community facilities, such as parks, fire and police facilities, and civic buildings.



## **Implementation Procedures**

Collection of impact fees does not require formation of a district, and no vote of the electorate is required. To implement a fee program, a public agency needs to have a fee justification study prepared to establish the nexus between the fee and the development on which the fee will be imposed. The Board must then conduct a noticed public hearing after making the nexus study available to the public for at least 10 days. A fee ordinance is adopted by the Board, and two readings are required at least 60 days apart. After such time, the fees are adopted and levied, typically at issuance of a building permit.

## **Revenues Created by, and Funding Limitations Associated With, Impact Fees**

Impact fees are monetary exactions that are charged by local agencies in conjunction with approval of a development project. Fees do not typically secure debt, because fee revenues can vary based on the phasing of development. Fee revenues are often used to reimburse property owners that have previously paid more than their fair share of public improvement costs. The amount of impact fees levied is a direct result of the nexus established between the cost of improvements being funded through the fee program and the type of development against which the fee is being levied.

## **Impact Fee Funding for Rincon Hill Facilities**

Impact fees are a straight-forward funding mechanism, with no district formation and no election required. However, fees produce a pay-as-you-go revenue stream, which means facilities would have to be phased as development occurs. This delayed phasing may not be acceptable to the City or property owners.

At a minimum, the calculation of impact fees required from each property participating in the funding program will define each owner's "fair share" of facility costs. In doing so, it is easy to monitor which owners have paid more than their fair share if facilities are oversized in the early phases of development. In such a circumstance, fee revenues can be collected and used to reimburse owners that were required to carry more than their fair share.

## **TAX INCREMENT FINANCING**

### **Background**

The Community Redevelopment Law [Section 33000 et. seq. of the Health & Safety Code] authorizes cities and counties to establish redevelopment agencies, create redevelopment project areas, and adopt plans for the project areas. A redevelopment area is established after a finding of "blight" is made; such finding justifies the collection of tax increment revenues (discussed further below) in order to improve conditions within the area.

### **Eligible Facilities**

Redevelopment agencies have been granted broad authority to pay for and construct public improvements and infrastructure, alone or in conjunction with other governmental agencies. Authorized facilities include streets, utilities, parks, playgrounds, and any other facilities needed in connection with development of property acquired by the redevelopment agency. An agency is also authorized to pay for land and construction of any building, facility, structure or other improvement that is publicly owned and determined to benefit a redevelopment area.



## Implementation Procedures

Formation of a redevelopment area is a complex and political process, and it typically takes more than a year for the redevelopment plan to be approved. Once a redevelopment area has been established, a redevelopment agency may authorize issuance of tax allocation bonds through adoption of a resolution of the board and subject to approval of the legislative body of the public agency.

## Funding Limitations Associated With Tax Increment Financing

When a redevelopment project area is created, a "base year" is identified. Property tax revenues generated from the increase in assessed value within the redevelopment area above the base year value is called "tax increment." As property within the redevelopment area increases in value, the tax increment generated also increases. Ultimately, when sufficient tax increment exists, tax allocation bonds can be sold which are secured by a commitment of tax increment revenues from the redevelopment agency. Tax increment generated at the time tax allocation bonds are sold is generally at least 125 percent of the amount needed to pay debt service on the bonds.

## Tax Increment Financing for Facilities in the 2003 Plan

The 2003 Plan does not anticipate formation of a redevelopment area in Rincon Hill, nor is it likely that Rincon Hill would meet the findings of blight that are required to establish such an area. However, there is a redevelopment area over some or all of the Transbay district. More than \$5.1 million of the cost of the community center and library facilities that will be shared with Rincon Hill are identified as the responsibility of the Transbay district. Without knowing whether tax increment generated within the Transbay district is already committed elsewhere, tax allocation bonds are discussed here as a possible funding alternative.

If there is available tax increment within the Transbay redevelopment area, tax allocation bonds could be sold to fund the \$5.1 million in facility costs assigned to the Transbay district. Alternatively, if additional redevelopment within the district will increase the tax increment in future years, Mello-Roos funding could be used as an interim measure and taken out by tax allocation bonds in future years. The feasibility of any structure that involves the use of tax increment would be determined by the San Francisco Redevelopment Agency.

## INTEGRATED FINANCING DISTRICT

### Background

The Integrated Financing District Act was designed to achieve equity among landowners by providing a formal mechanism to reimburse the initial developers or public agency for up-front funding of infrastructure needed prior to development. The Act authorizes the levy of "contingent assessments" on landowners within special districts created in association with another financing district that is authorized to levy noncontingent assessments or special taxes to finance public facilities (i.e., ADs or CFDs); the AD or CFD becomes the "co-financing district". An Integrated Financing District (IGFD) can be used to finance any improvements authorized to be funded by the co-financing district.

In its most likely use, an IGFD is formed over an area that benefits from improvements being financed through the co-financing district. The benefit received by each parcel is determined and a contingent lien is placed on all parcels that benefit from the improvements but do not initially participate in the funding through the co-financing district. A warrant, in the amount of the contingent lien on a given



parcel, is issued to the party that will ultimately receive reimbursement for carrying the cost of the facilities. Once development begins on the parcel, the contingent lien will become due and payable to the party who holds the warrant securing the lien.

### **Eligible Facilities**

All facilities eligible to be funded by the co-financing district are eligible to be funded by contingent liens established within the IGFD.

### **Implementation Procedures**

An IGFD is created in the same proceedings as the co-financing district, if the following items are included in the resolution of intention to form the districts:

- (1) A description of the boundaries of the IGFD, which need not be the same as the boundaries of the co-financing district;
- (2) A description of the rate and method of apportionment of the contingent assessment, and the trigger on which the levy of the contingent lien is triggered. The contingent assessments will be identified as a fixed dollar amount per parcel, which may be adjusted annually thereafter;
- (3) A description and estimated cost of any facilities to be constructed with funds contributed from the IGFD; and
- (4) A description of the proposed reimbursement agreement

Notice of a public hearing is made in the same manner as required for the co-financing district. If more than one-half of the property within the proposed IGFD protests against the contingent assessments, no further proceedings will be taken for one year.

### **Revenues Created by, and Funding Limitations Associated With, IGFDs**

An IGFD issues securities in the form of warrants that represent an interest in a reimbursement fund into which contingent assessments are paid. The contingent assessment is a lien against property which is not levied until a certain trigger event takes place, such as tentative or final map approval, a zoning change, or issuance of a building permit.

The contingent assessments must be a fixed dollar amount that may be adjusted annually on a percentage basis as determined by the Board. Assessments are levied on an acreage basis, with allowances for different rates on different land uses. The contingent assessment may be levied instead of, in conjunction with, or in addition to a non-contingent assessment or special tax and may be collected in annual installments or in lump-sum payments similar to a fee program. The combined levy of a contingent assessment and a non-contingent assessment or special tax should result in an amount paid by a parcel that equals that parcel's proportional share of benefit from the public improvements being financed.

The revenue potential from an IGFD is limited by a value-to-lien ratio, in that the contingent assessment, whether collected or not, represents an obligation of the parcel. If the contingent assessment is not required to be paid in one lump-sum payment, it may ultimately be passed on to future homebuyers or commercial/industrial buyers. If this is the case, the contingent assessment should be considered as part of the total effective tax rate on the property.



## Use of an IGFD in Rincon Hill

Although the IGFD Act has been part of state law for more than 10 years, only a handful of IGFDs have been formed. The limited use of this funding mechanism is due to the complexity inherent in the law and the ability for standard reimbursement agreements to achieve the same overall effect. However, an IGFD may be part of the Rincon Hill infrastructure financing strategy if a very formal reimbursement program is desired by the property owners that carry the cost of oversizing facilities needed to serve the Plan. By creating a contingent lien on parcels in the IGFD, the fair share of facility costs is clearly defined and a process is implemented to guarantee reimbursement. The need to consider an IGFD will be directly related to the number of property owners in Rincon Hill that contribute to funding public infrastructure, and the anticipated timing of reimbursements from future development.

## CERTIFICATES OF PARTICIPATION

### Background

Certificates of Participation (COPs) provide long-term financing for public improvements via a lease or installment sales structure. COPs permit acquisition or construction of specific equipment, land or facilities through the incurrence of debt without requiring a local election. Although the structure of COPs sounds complicated, COPs are actually an efficient, straight-forward, and commonly used method of securing tax-exempt financing for public facilities.

### Eligible Facilities

COPs can be used to fund almost any facilities or equipment that are deemed to have an economic useful life that exceeds the term of the lease payment schedule.

### Implementation Procedures

The issuance of COPs is authorized by resolution of the Board and does not require the formation of a special district. The principal parties to a COP financing include a public agency, a non-profit corporation, and a trustee. The non-profit corporation may be formed specifically to construct needed improvements, the funds for which are generated from the proceeds of the COP sale. Alternatively, the non-profit corporation may be an existing agency, such as a redevelopment agency, a joint powers authority, or an economic development corporation. However, the actual responsibilities for construction are generally delegated to the public agency. The non-profit corporation leases or sells the land and facilities back to the public agency in return for lease or installment sales payments.

Investors who purchase COPs receive a specified portion of the public agency's payments to pay the principal and interest due on the COPs. The COPs are secured by the public agency's pledge to make appropriations from its general fund or a special fund to cover its lease or installment sales payments. The trustee is responsible for accepting the payments and disbursing them to COP holders.

### Revenues Created by, and Funding Limitations Associated With, COPs

No new revenues are created in association with COPs, which are strictly a debt instrument secured by an existing or future stream of revenues. The capacity to issue COPs is limited by the availability of revenues appropriated each year to make lease payments. Since the passage of the Gann Amendment in 1979, annual appropriations of government agencies have been limited to prior year appropriations adjusted for changes in the cost of living and population. In a period of declining transfer payments



from the federal and state governments, the availability of revenues at the local level to secure debt for infrastructure funding is severely limited.

#### **Use of COPs for Rincon Hill Facilities**

In today's environment of severe budget constraints at the local level, the City may not want to appropriate revenues from the general fund or a special fund to make lease payments that secure COPs. However, because the 2003 Plan will produce affordable housing and reduce the jobs/housing imbalance in this part of the City, there may be overriding reasons for the City to consider participating in funding public improvements required to serve the Plan.

#### **CONCLUSION**

Funding public infrastructure and community facilities required to serve land uses anticipated in the 2003 Plan will likely involve a combination of two or more of the financing mechanisms described above. Discussions between the City and affected property owners will narrow down the list of viable mechanisms, and quantitative analysis will assist in determining the most feasible funding strategy. Ultimately, this strategy should maximize the financing capacity available from land uses in Rincon Hill while minimizing annual and one-time funding burdens.



## ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

Sedway Group has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although Sedway Group believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

This report may not be used for any purpose other than that for which it is prepared. Neither all nor any part of the contents of this study shall be disseminated to the public through publication advertising media, public relations, news media, sales media, or any other public means of communication without prior written consent and approval of Sedway Group.



**APPENDIX A**  
**LIST OF SPUR TECHNICAL ADVISORY COMMITTEE MEMBERS**  
(LISTED ALPHABETICALLY, BY LAST NAME)

**Larry Badiner**

Acting Planning Director  
City of San Francisco Planning Department

**Jim Chappell**

President  
San Francisco Planning and Urban Research Association

**Oz Erickson**

President  
The Emerald Fund

**Andrea Jones**

Vice President Government and Public Affairs  
Catellus Development Corporation

**Gabriel Metcalf**

Deputy Director  
San Francisco Planning and Urban Research Association

**Amy Neches**

Senior Project Manager  
San Francisco Redevelopment Agency

**Brad Paul**

Senior Program Officer, Strengthening Neighborhoods  
Evelyn & Walter Hass, Jr. Fund

**Carlos Romero****Lydia Tan**

Executive Vice President  
BRIDGE Housing Corporation

**George Williams**

SPUR Board Member

**J. Peter Winkelstein**

SPUR Board Member



## APPENDIX B EXHIBITS

| Exhibit | Title | Author(s) | Year | Source | Notes |
|---------|-------|-----------|------|--------|-------|
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EXHIBIT B-1  
EXISTING RESIDENTIAL DEVELOPMENTS  
RINCON HILL AREA, SAN FRANCISCO  
MARCH 2004

| Project and Location<br>APN <sup>1</sup>                     | Gross<br>Acreage<br>Gr. Sq. Ft. | Total Units<br>Density | Project Type<br>Year Built   | Stories | Initial<br>Absorption<br>(Units/Month) |
|--------------------------------------------------------------|---------------------------------|------------------------|------------------------------|---------|----------------------------------------|
| 1. Hills Plaza <sup>2</sup><br>3744                          | N/A<br>N/A                      | 67<br>N/A              | Condominiums<br>1991         | 16 - 18 |                                        |
| 2. Embarcadero Lofts <sup>3</sup><br>3747-020                | 0.81<br>35,496                  | 58<br>71               | Condominiums<br>1997         |         |                                        |
| 3. Avalon Towers<br>3747-021                                 | 0.92<br>40,175                  | 226<br>245             | Apartments<br>1999           | 20      | 40                                     |
| 4. 346 First Street<br>3749-065                              | 0.46<br>20,000                  | 57<br>124              | Lofts / Condominiums<br>1996 |         | 7                                      |
| 5. 81 Lansing Street<br>3749-60                              | 0.39<br>16,842                  | 33<br>85               | Lofts / Condominiums<br>1996 |         | 2                                      |
| 6. Bridgeview Tower<br>3766-005                              | 0.63<br>27,620                  | 245<br>386             | Condominiums<br>2002         | 14 - 26 | 9                                      |
| 7. Baycrest<br>3767-008, -014, -015, -016                    | 0.87<br>37,847                  | 288<br>331             | Condominiums<br>1991         | 12 - 14 | 4                                      |
| 8. Portside, Phases I and II<br>3768-020, -021, -024         | 1.48<br>64,664                  | 220<br>148             | Condominiums<br>1994 / 1998  | 8       | Phase I: 4<br>Phase II: 12             |
| 9. Harbor Lofts / 101 Harrison<br>3768-014                   | 0.68<br>29,610                  | 46<br>68               | Lofts / Condominiums<br>1996 | 2       | 5.5                                    |
| 10. The Metropolitan<br>3748-032                             | 0.87<br>38,031                  | 342<br>392             | Condominiums<br>2004         | 20 / 26 |                                        |
| Total Units:                                                 |                                 | 1,582                  |                              |         |                                        |
| Average Density (Total Units per Total Acres) <sup>4</sup> : |                                 | 213                    |                              |         |                                        |

(1) Reflects the Assessor's Parcel Number prior to the condominium subdivision.

(2) Part of a mixed-use development that encompasses an entire city block.

(3) Initially rented as apartments and later converted to condominiums.

(4) Excludes Hills Plaza.

Sources: San Francisco Planning Department; San Francisco Office of the Assessor/Recorder; and Sedway Group.

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12-Jul-04



**EXHIBIT B-2**  
**PROPOSED RESIDENTIAL DEVELOPMENT**  
**RINCON HILL AREA, SAN FRANCISCO**  
**MARCH 2004**

| Name and Location<br>APN                                       | Gross<br>Acreage<br>Gr. Sq. Ft. | Total Units<br>Density | Podium Floor Size<br>Tower Floor Size | Total Gross Sq.Ft.<br>Net FAR | Parking<br>Parking Ratio | Parking<br>Location   | Podium Stories<br>Tower Stories | Total Height<br>(Ft.) | Project<br>Approved |
|----------------------------------------------------------------|---------------------------------|------------------------|---------------------------------------|-------------------------------|--------------------------|-----------------------|---------------------------------|-----------------------|---------------------|
| 1. 300 Spear Street<br>3745-001                                | 1.74<br>75,625                  | 800<br>461             | N/A<br>11,000                         | 1,560,000<br>20.63            | 880<br>1.00              | Below Grade           | 8<br>N/A                        | 350 / 400             | Yes                 |
| 2. 201 Folsom Street<br>3746-001                               | 1.74<br>75,625                  | 800<br>461             | N/A<br>11,000                         | 1,500,000<br>19.83            | 960<br>1.00              | Below Grade<br>Podium | 8<br>N/A                        | 350 / 400             | Yes                 |
| 3. 325 Fremont Street<br>3747-012, -013, -014                  | 0.15<br>6,434                   | 51<br>345              | N/A<br>7,600                          | 120,000<br>18.65              | 56<br>0.95               | Below Grade           | N/A<br>N/A                      | 200                   | Yes                 |
| 4. 40-50 Lansing Street<br>3749-011                            | 0.47<br>20,625                  | 80<br>169              | N/A<br>N/A                            | 134,000<br>6.50               | 81<br>1.00               | Below Grade           | 5 - 8<br>N/A                    | 85                    | Yes                 |
| 5. 399 Fremont Street<br>3747-001E, -002                       | 0.43<br>18,902                  | 300<br>691             | N/A<br>11,500                         | 536,000<br>28.36              | 300<br>1.00              | N/A                   | 7<br>N/A                        | 350                   | No                  |
| 6. 375 Fremont Street<br>3747-006                              | 0.43<br>18,905                  | 248<br>571             | N/A<br>8,600                          | 390,000<br>20.63              | 140<br>0.56              | Below Grade           | 5<br>N/A                        | 300                   | No                  |
| 7. 333 Fremont Street<br>3747-019                              | 0.32<br>13,814                  | 88<br>277              | N/A<br>N/A                            | 131,340<br>9.51               | 88<br>1.00               | Below Grade           | 8<br>N/A                        | 85                    | No                  |
| 8. 340-350 Fremont Street<br>3748-006, -007, -008              | 0.63<br>27,516                  | 355<br>562             | N/A<br>N/A                            | N/A<br>N/A                    | N/A<br>N/A               | N/A                   | N/A<br>N/A                      | 400                   | No                  |
| 9. Bank of America<br>425 First Street<br>3765-001, -009, -015 | 1.29<br>56,081                  | 720<br>559             | N/A<br>9,240                          | 1,131,000<br>20.17            | 375<br>0.52              | Below Grade           | 4<br>N/A                        | 450 / 550             | No                  |
| 10. Alta Vista<br>45 Lansing Street<br>3749-059                | 0.34<br>14,997                  | 305<br>886             | N/A<br>8,500                          | 375,000<br>25.01              | 305<br>1.00              | Below Grade           | 5<br>N/A                        | 400                   | No                  |
| Total Units:                                                   |                                 | 3,392                  |                                       |                               |                          |                       |                                 |                       |                     |
| Average Density (Total Units per Total Acres):                 |                                 | 491                    |                                       |                               |                          |                       |                                 |                       |                     |

Sources: San Francisco Planning Department; San Francisco Office of the Assessor/Recorder; and Sedway Group.

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12-Jul-04

EXHIBIT B-3  
PREFERRED OPTIONS FOR RESIDENTIAL PARCELS  
RINCON HILL AREA, SAN FRANCISCO  
MARCH 2004

| Name and Location<br>APN                                                     | Gross<br>Acreage<br>Gr. Sq. Ft. | Podium Units <sup>1</sup><br>Tower Units <sup>1</sup> | Total Units<br>Density | Podium Floor Size<br>Tower Floor Size | Podium Floor Size<br>to Site Size | Podium Stories<br>Tower Stories            | Total<br>Height (Ft) <sup>2</sup> | Project<br>Approved | Development<br>Application |
|------------------------------------------------------------------------------|---------------------------------|-------------------------------------------------------|------------------------|---------------------------------------|-----------------------------------|--------------------------------------------|-----------------------------------|---------------------|----------------------------|
| 1. 300 Spear Street<br>3745-001                                              | 1.74<br>75,625                  | N/A<br>N/A                                            | 800<br>461             | N/A<br>11,000                         | N/A                               | 8<br>N/A                                   | 350 / 400                         | Yes                 | Yes                        |
| 2. 201 Folsom Street<br>3746-001                                             | 1.74<br>75,625                  | N/A<br>N/A                                            | 800<br>461             | N/A<br>11,000                         | N/A                               | 8<br>N/A                                   | 350 / 400                         | Yes                 | Yes                        |
| 3. 325 Fremont Street<br>3747-012, -013, -014                                | 0.15<br>6,434                   | N/A<br>N/A                                            | 51<br>345              | N/A<br>7,600                          | N/A                               | N/A<br>N/A                                 | 200                               | Yes                 | Yes                        |
| 4. 40-50 Lansing Street<br>3749-011                                          | 0.47<br>20,625                  | N/A<br>N/A                                            | 80<br>169              | N/A<br>N/A                            | N/A                               | 5 - 8<br>N/A                               | 85                                | Yes                 | Yes                        |
| 5. 399 Fremont Street<br>3747-001E, -002                                     | 0.43<br>18,902                  | 86<br>0                                               | 86<br>198              | 13,430<br>0                           | 71%                               | 8<br>0                                     | 80                                | No                  | Yes                        |
| 6. 375 Fremont Street<br>3747-006                                            | 0.43<br>18,905                  | 86<br>0                                               | 86<br>199              | 13,480<br>0                           | 71%                               | 8<br>0                                     | 80                                | No                  | Yes                        |
| 7. SEC Folsom / Fremont<br>353 Folsom Street<br>3747-015                     | 0.11<br>4,791                   | 25<br>0                                               | 25<br>225              | 3,870<br>0                            | 81%                               | 8<br>0                                     | 80                                | No                  | No                         |
| 8. 333 Fremont Street<br>3747-019                                            | 0.32<br>13,814                  | 69<br>0                                               | 69<br>217              | 10,740<br>0                           | 78%                               | 8<br>0                                     | 80                                | No                  | Yes                        |
| 9. Maritime Union<br>340 Fremont Street<br>3748-006, -007, -008              | 0.63<br>27,516                  | 108 / 7 <sup>3</sup><br>0                             | 115<br>182             | 16,920 / 2,270 <sup>3</sup><br>0      | N/A                               | 8 / 4 <sup>3</sup><br>0                    | 80 / 40 <sup>3</sup>              | No                  | No                         |
| 10. Avanesian Site (Assembled)<br>390 Fremont Street<br>3748-009, -010, -012 | 0.43<br>18,899                  | 85<br>243                                             | 328<br>756             | 13,280<br>9,500                       | 70%                               | 8<br>32                                    | 400                               | No                  | No                         |
| 11. PGE Parking Lot<br>425 Folsom Street<br>3748-029                         | 0.24<br>10,310                  | 51<br>0                                               | 51<br>217              | 8,040<br>0                            | 78%                               | 8<br>0                                     | 80                                | No                  | No                         |
| 12. Bank of America<br>425 First Street<br>3765-001, -009, -015              | 1.29<br>56,081                  | 139<br>699                                            | 838<br>651             | 43,375<br>9,500                       | 77%                               | 4 / 4 <sup>3</sup><br>41 / 51 <sup>3</sup> | 450 / 550 <sup>3</sup>            | No                  | Yes                        |

Continued...



EXHIBIT B-3  
PREFERRED OPTIONS FOR RESIDENTIAL PARCELS  
RINCON HILL AREA, SAN FRANCISCO  
MARCH 2004

| Name and Location<br>APN                                                                                                                                         | Gross<br>Acreage | Podium Units <sup>1</sup> | Total Units | Podium Floor Size | Podium Floor Size<br>to Site Size | Podium Stories | Total<br>Height (Ft) <sup>2</sup> | Project<br>Approved | Development<br>Application |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------|-------------|-------------------|-----------------------------------|----------------|-----------------------------------|---------------------|----------------------------|
|                                                                                                                                                                  | Gr. Sq. Ft.      | Tower Units <sup>1</sup>  | Density     | Tower Floor Size  |                                   | Tower Stories  |                                   |                     |                            |
| 13. Harrison 65<br>511 Harrison Street<br>3764-055                                                                                                               | 0.40<br>17,602   | 71<br>0                   | 71<br>176   | 14,815<br>0       | 84%                               | 6<br>0         | 60                                | No                  | No                         |
| 14. Harrison 65<br>525 Harrison Street<br>3764-063                                                                                                               | 0.30<br>12,998   | 41<br>0                   | 41<br>137   | 8,500<br>0        | 65%                               | 6<br>0         | 60                                | No                  | No                         |
| 15. Guy/Lansing<br>326 First Street<br>3749-002, -003, -005                                                                                                      | 0.20<br>8,741    | 33<br>0                   | 33<br>164   | 6,870<br>0        | 79%                               | 6<br>0         | 60                                | No                  | No                         |
| 16. Guy/Lansing<br>515 Folsom Street<br>3749-053                                                                                                                 | 0.32<br>13,825   | 55<br>0                   | 55<br>172   | 11,405<br>0       | 82%                               | 6<br>0         | 60                                | No                  | No                         |
| 17. Union 76 Station<br>386 First Street<br>3749-058                                                                                                             | 0.43<br>18,748   | 74<br>0                   | 74<br>171   | 15,365<br>0       | 82%                               | 6<br>0         | 60                                | No                  | No                         |
| 18. Alta Vista<br>45 Lansing Street<br>3749-059                                                                                                                  | 0.34<br>14,997   | 66<br>243                 | 309<br>898  | 13,760<br>9,500   | 92%                               | 6<br>32        | 380                               | No                  | Yes                        |
| Total Units:                                                                                                                                                     |                  |                           | 3,912       |                   |                                   |                |                                   |                     |                            |
| Average Density (Total Units per Total Acres):                                                                                                                   |                  |                           | 392         |                   |                                   |                |                                   |                     |                            |
| Average Podium Floor Size Ratio to Site Size <sup>4</sup>                                                                                                        |                  |                           |             |                   |                                   |                |                                   |                     |                            |
| All Projects:                                                                                                                                                    |                  |                           |             |                   | 77%                               |                |                                   |                     |                            |
| Projects with Sites Greater Than 15,000 Square Feet:                                                                                                             |                  |                           |             |                   | 76%                               |                |                                   |                     |                            |
| <b>Notes:</b>                                                                                                                                                    |                  |                           |             |                   |                                   |                |                                   |                     |                            |
| (1) Based on the data provided by the San Francisco Planning Department. Figures are rounded.                                                                    |                  |                           |             |                   |                                   |                |                                   |                     |                            |
| (2) Assumes floor-to-floor building height of 10 feet, as given by the San Francisco Planning Department.                                                        |                  |                           |             |                   |                                   |                |                                   |                     |                            |
| (3) Consists of two buildings.                                                                                                                                   |                  |                           |             |                   |                                   |                |                                   |                     |                            |
| (4) Excludes the approved projects 300 Spear, 201 Folsom, 325 Fremont and 40-50 Lansing as well as Maritime Union due to the latter consisting of two buildings. |                  |                           |             |                   |                                   |                |                                   |                     |                            |
| Sources: San Francisco Planning Department; San Francisco Office of the Assessor/Recorder; and Sedway Group.                                                     |                  |                           |             |                   |                                   |                |                                   |                     |                            |
| J:\word_processing\word_docs\projects\2003\1003122 SPUR\FINAL REPORT\1003122 Rincon Hill Parcels_01.xls\B-1. Existing [SLN]                                      |                  |                           |             |                   |                                   |                |                                   |                     |                            |
| 12-Jul-04                                                                                                                                                        |                  |                           |             |                   |                                   |                |                                   |                     |                            |

12-Jul-04

**APPENDIX C**  
**DETAILED DEVELOPMENT AND OPERATING ASSUMPTIONS**



**Table C-1**  
**Development Program**  
**Rincon Hill Financial Feasibility and Funding Analysis**  
**April 2004**

|                                                   | High-Rise                                            |                                     |                              |                             |                                     |                                     |
|---------------------------------------------------|------------------------------------------------------|-------------------------------------|------------------------------|-----------------------------|-------------------------------------|-------------------------------------|
|                                                   | Mid-Rise (Proposed Zoning)                           |                                     | Existing Zoning <sup>1</sup> |                             | Proposed Zoning                     |                                     |
|                                                   | Rental                                               | For-Sale                            | Rental                       | For-Sale                    | Rental                              | For-Sale                            |
| Location                                          | Fremont Street b/w Folsom Street and Harrison Street |                                     |                              |                             |                                     |                                     |
| Character of Site                                 | Flat                                                 |                                     |                              |                             |                                     |                                     |
| Water Table/Bedrock                               | Water Table 10' underground/ Bedrock 50' underground |                                     |                              |                             |                                     |                                     |
| Representative Parcel Size (Sq. Ft.) <sup>2</sup> | 18,500                                               | 18,500                              | 18,500                       | 18,500                      | 18,500                              | 18,500                              |
| Building Height to Roof/Floors <sup>3</sup>       | 85'/7.5                                              | 85'/7.5                             | 240'/23.3                    | 240'/23.3                   | 400'/39.3                           | 400'/39.3                           |
| Number of Streets Bounding Site                   | Two                                                  | Two                                 | Two                          | Two                         | Two                                 | Two                                 |
| Construction Type                                 | Concrete                                             | Concrete                            | Concrete                     | Concrete                    | Concrete                            | Concrete                            |
| Average Floor Plate and Dimensions                | See Exhibit 1                                        | See Exhibit 2                       | See Exhibit 3                | See Exhibit 4               | See Exhibit 5                       | See Exhibit 6                       |
| Floor to Floor Height                             | 9.75'                                                |                                     | 9.75'                        |                             | 9.75'                               |                                     |
| Exterior Skin                                     | 60% precast/40% glass                                |                                     | 50% precast/50% glass        |                             | 50% precast/50% glass               |                                     |
| Heating                                           | Electric base board                                  |                                     | Electric base board          |                             | Electric base board                 |                                     |
| Balconies                                         | 50% of Units                                         |                                     | 50% of Units                 |                             | 50% of Units                        |                                     |
| Air Conditioning                                  | All units                                            |                                     | All units                    |                             | All units                           |                                     |
| Finishes                                          | Quality                                              |                                     | Quality                      |                             | Quality                             |                                     |
| Efficiency Ratio                                  | See Appendix C<br>Exhibit 1                          | See Appendix C<br>Exhibit 2         | See Appendix C<br>Exhibit 3  | See Appendix C<br>Exhibit 4 | See Appendix C<br>Exhibit 5         | See Appendix C<br>Exhibit 6         |
| Type of Parking                                   | Below Grade                                          | Below Grade                         | Below Grade                  | Below Grade                 | Below Grade                         | Below Grade                         |
| Parking Ratio <sup>4</sup>                        | 1:2 plus lifts and<br>valet service                  | 1:2 plus lifts and<br>valet service | 1:1                          | 1:1                         | 1:2 plus lifts and<br>valet service | 1:2 plus lifts and<br>valet service |
| Average size of Parking Stall (Sq.Ft.)            | 450                                                  | 450                                 | 450                          | 450                         | 450                                 | 450                                 |

1. Although existing zoning guidelines allow for multifamily residential development up to 250' in height, this analysis assumes that multifamily residential development under existing zoning guidelines will not exceed 240' due to the additional structural system requirements of a 250' building.

2. Represents the typical parcel size based on data provided by the San Francisco Planning Department.

3. For the high-rise under existing zoning guidelines and proposed zoning guidelines, assumes that up to 30 percent of the ground floor is for residential development. For the mid-rise under proposed zoning guidelines, assumes that up to 50 percent of the ground floor is for residential development. The remaining square footage is for the lobby, parking entrance, and project amenities such as a fitness center and business center.

4. The November 2003 Rincon Hill Draft Plan requires a parking ratio of 1:2. However, residential projects in San Francisco that do not provide at least one parking space for every residential unit are generally not feasible, nor are they financeable. Therefore, lifts, which are untested in San Francisco, and valet service are used to achieve a 1:1 parking ratio.

Sources: San Francisco Planning Department; Webcor; Pankow; SPUR; and Sedway Group.

**Table C-2**  
**Unit Assumptions**  
**Rincon Hill Financial Feasibility and Funding Analysis**  
**April 2004**

|                                              | High-Rise <sup>1</sup>     |           |                 |           |                 |           |
|----------------------------------------------|----------------------------|-----------|-----------------|-----------|-----------------|-----------|
|                                              | Mid-Rise (Proposed Zoning) |           | Existing Zoning |           | Proposed Zoning |           |
|                                              | Rental                     | For-Sale  | Rental          | For-Sale  | Rental          | For-Sale  |
| Unit Mix (% of Total)                        |                            |           |                 |           |                 |           |
| Studio/Jr One-Bedroom/One-Bath               | 10%                        | 10%       | 10%             | 10%       | 10%             | 10%       |
| One-Bedroom/One-Bath                         | 35%                        | 35%       | 35%             | 35%       | 35%             | 35%       |
| Two-Bedroom/Two-Bath <sup>2</sup>            | 45%                        | 45%       | 45%             | 45%       | 45%             | 45%       |
| Three-Bedroom/Two-Bath <sup>3</sup>          | 10%                        | 10%       | 10%             | 10%       | 10%             | 10%       |
| Unit Size                                    |                            |           |                 |           |                 |           |
| Studio/Jr One-Bedroom/One-Bath               | 500                        | 550       | 500             | 550       | 500             | 550       |
| One-Bedroom/One-Bath                         | 650                        | 800       | 650             | 800       | 650             | 800       |
| Two-Bedroom/Two-Bath                         | 950                        | 1,150     | 950             | 1,150     | 950             | 1,150     |
| Three-Bedroom/Two-Bath                       | 1,200                      | 1,400     | 1,200           | 1,400     | 1,200           | 1,400     |
| Weighted Avg. Unit Size                      | 825                        | 993       | 825             | 993       | 825             | 993       |
| Average Monthly Rent/Sales Price             |                            |           |                 |           |                 |           |
| Studio/Jr One-Bedroom/One-Bath               | \$1,450                    | \$375,000 | \$1,550         | \$425,000 | \$1,700         | \$475,000 |
| One-Bedroom/One-Bath                         | \$1,800                    | \$550,000 | \$2,000         | \$600,000 | \$2,150         | \$650,000 |
| Two-Bedroom/Two-Bath                         | \$2,400                    | \$700,000 | \$2,600         | \$750,000 | \$2,800         | \$800,000 |
| Three-Bedroom/Two-Bath                       | \$2,900                    | \$850,000 | \$3,100         | \$900,000 | \$3,300         | \$950,000 |
| Weighted Avg. Rent/Sales Price               | \$2,145                    | \$630,000 | \$2,334         | \$680,000 | \$2,513         | \$730,000 |
| Average Monthly Rent/Sales Price Per Sq. Ft. |                            |           |                 |           |                 |           |
| Studio/Jr One-Bedroom/One-Bath               | \$2.90                     | \$682     | \$3.10          | \$773     | \$3.40          | \$864     |
| One-Bedroom/One-Bath                         | \$2.77                     | \$688     | \$3.08          | \$750     | \$3.31          | \$813     |
| Two-Bedroom/Two-Bath                         | \$2.53                     | \$609     | \$2.74          | \$652     | \$2.95          | \$696     |
| Three-Bedroom/Two-Bath                       | \$2.42                     | \$607     | \$2.58          | \$643     | \$2.75          | \$679     |
| Weighted Avg. Rent/Sales Price Per Sq. Ft.   | \$2.60                     | \$635     | \$2.83          | \$685     | \$3.05          | \$736     |

1. Monthly rental rates and for-sale prices for units in the high-rise under the proposed zoning guidelines reflect a premium to monthly rental rates and for-sale prices for units in the high-rise under existing zoning guidelines. The premium assumed in this analysis is not based on a detailed market analysis, but is based on residential broker feedback that indicated that units with unobstructed views are likely to sell at a premium to units with unobstructed views. At 400' in height, a building under the proposed zoning guidelines will have more units with unobstructed views than a building under the existing zoning guidelines, which only reaches a height of 250' (including the roof). A more thorough market analysis and site/building plan is required to determine the magnitude of the premium and the number of units that would benefit from unobstructed views.
2. The November 2003 Draft Rincon Hill Plan sets a minimum goal for the number of two-bedroom units at 25 percent of the total number of units. The March 2004 Proposed Plan Refinements increases this requirement to 40 percent.
3. The November 2003 Draft Rincon Hill Plan sets a minimum goal for the number of three-bedroom units at 15 percent of the total number of units. The March 2004 Proposed Plan Refinements reduces this requirement to a target of 10 percent.

Source: SPUR; and Sedway Group.



**Table C-3**  
**Other Assumptions**  
**Rincon Hill Financial Feasibility and Funding Analysis**  
**April 2004**

|                                                     | Mid-Rise (Proposed Zoning) |          | Existing Zoning |          | High-Rise<br>Proposed Zoning |          |
|-----------------------------------------------------|----------------------------|----------|-----------------|----------|------------------------------|----------|
|                                                     | Rental                     | For-Sale | Rental          | For-Sale | Rental                       | For-Sale |
| Average Monthly Parking Rent                        | \$200                      | NA       | \$200           | NA       | \$200                        | NA       |
| Vacancy Rate                                        | 5%                         | NA       | 5%              | NA       | 5%                           | NA       |
| Marketing and Commissions                           | NA                         | 5%       | NA              | 5%       | NA                           | 5%       |
| Monthly HOA Dues                                    | NA                         | \$400    | NA              | \$575    | NA                           | \$575    |
| Operating Expenses per Unit (Including Prop. Taxes) | \$6,800                    | NA       | \$8,000         | NA       | \$8,000                      | NA       |
| Valet Assumptions                                   |                            |          |                 |          |                              |          |
| FTEs                                                | 0.0                        | 4.3      | NA              | NA       | 0.0                          | 4.3      |
| Average Hourly Salary                               | \$0.00                     | \$22.00  | NA              | NA       | \$0.00                       | \$22.00  |

Source: Sedway Group.

## **OTHER KEY ASSUMPTIONS**

- Ground-floor retail not included in this analysis;
- Illustrative project amenities: fitness center, business center, clubhouse, pool, spa, and concierge;
- Illustrative unit features: granite countertops, stainless steel appliances, maple cabinetry, carpet/tile/wood flooring;
- 12 percent inclusionary housing requirement; and
- Inclusionary housing units will be identical in size and unit mix to market rate units.



**Exhibit C-1**  
**Proposed Zoning: Apartment Mid-Rise**  
**Rincon Hill Financial Feasibility Analysis**  
**April 2004**

|                  |        |
|------------------|--------|
| Site Coverage    | 18,500 |
| Site Coverage    | 79.9%  |
| Max Floor Size   | 14,775 |
| Density per Acre | 257    |
| Avg Floor Height | 9.75   |

**PORTION OF BUILDING FACING NORTH/SOUTH STREET**

|                                           | Floor        | Height (Ft.) | Cumulative Height | Dimensions |       |          | Gross Sq. Ft. | Efficiency | Net Sq. Ft.   | Percent Residential | Residential Sq. Ft. |               | Units per Floor |
|-------------------------------------------|--------------|--------------|-------------------|------------|-------|----------|---------------|------------|---------------|---------------------|---------------------|---------------|-----------------|
|                                           |              |              |                   | Length     | Width | Diagonal |               |            |               |                     | Gross               | Net           |                 |
| First Six Floors                          | Ground Floor | 15.00        | 15.00             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,451         | 50.0%               | 5,100               | 4,226         | 5               |
|                                           | 2            | 9.75         | 24.75             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,451         | 100.0%              | 10,200              | 8,451         | 10              |
| Floors: 6                                 | 3            | 9.75         | 34.50             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,451         | 100.0%              | 10,200              | 8,451         | 10              |
| Gross Sq. Ft: 61,200                      | 4            | 9.75         | 44.25             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,451         | 100.0%              | 10,200              | 8,451         | 10              |
|                                           | 5            | 9.75         | 54.00             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,451         | 100.0%              | 10,200              | 8,451         | 10              |
|                                           | 6            | 9.75         | 63.75             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,451         | 100.0%              | 10,200              | 8,451         | 10              |
| Top Two Floors (1)                        | 7            | 9.75         | 73.50             | 136.0      | 66.6  | 151      | 9,060         | 83%        | 7,507         | 100.0%              | 9,060               | 7,507         | 9               |
| Gross Sq. Ft: 18,120                      | 8            | 9.75         | 83.25             | 136.0      | 66.6  | 151      | 9,060         | 83%        | 7,507         | 100.0%              | 9,060               | 7,507         | 9               |
| <b>Total (Excluding Ground Floor) (2)</b> |              |              |                   |            |       |          | <b>69,120</b> |            | <b>57,270</b> |                     | <b>69,120</b>       | <b>57,270</b> | <b>69</b>       |
| <b>Total (Including Ground Floor) (2)</b> |              |              |                   |            |       |          | <b>79,320</b> |            | <b>65,721</b> |                     | <b>74,220</b>       | <b>61,495</b> | <b>75</b>       |

**PORTION OF BUILDING FACING EAST/WEST STREET**

|                                           | Floor        | Height (Ft.) | Cumulative Height | Dimensions |       |          | Gross Sq. Ft.  | Efficiency | Net Sq. Ft.   | Percent Residential | Residential Sq. Ft. |               | Units per Floor |
|-------------------------------------------|--------------|--------------|-------------------|------------|-------|----------|----------------|------------|---------------|---------------------|---------------------|---------------|-----------------|
|                                           |              |              |                   | Length     | Width | Diagonal |                |            |               |                     | Gross               | Net           |                 |
| First Six Floors                          | Ground Floor | 15.00        | 15.00             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,791         | 50.0%               | 2,288               | 1,895         | 2               |
|                                           | 2            | 9.75         | 24.75             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,791         | 100.0%              | 4,575               | 3,791         | 5               |
| Floors: 6                                 | 3            | 9.75         | 34.50             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,791         | 100.0%              | 4,575               | 3,791         | 5               |
| Gross Sq. Ft: 27,450                      | 4            | 9.75         | 44.25             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,791         | 100.0%              | 4,575               | 3,791         | 5               |
|                                           | 5            | 9.75         | 54.00             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,791         | 100.0%              | 4,575               | 3,791         | 5               |
|                                           | 6            | 9.75         | 63.75             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,791         | 100.0%              | 4,575               | 3,791         | 5               |
| Top Two Floors (1)                        | 7            | 9.75         | 73.50             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,791         | 100.0%              | 4,575               | 3,791         | 5               |
| Gross Sq. Ft: 9,150                       | 8            | 9.75         | 83.25             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,791         | 100.0%              | 4,575               | 3,791         | 5               |
| <b>Total (Excluding Ground Floor) (2)</b> |              |              |                   |            |       |          | <b>32,025</b>  |            | <b>26,534</b> |                     | <b>32,025</b>       | <b>26,534</b> | <b>32</b>       |
| <b>Total (Including Ground Floor) (2)</b> |              |              |                   |            |       |          | <b>36,600</b>  |            | <b>30,325</b> |                     | <b>34,313</b>       | <b>28,430</b> | <b>34</b>       |
| <b>Building Total (2)</b>                 |              |              |                   |            |       |          | <b>115,920</b> |            | <b>96,046</b> |                     | <b>108,533</b>      | <b>89,925</b> | <b>109</b>      |

(1) The November 2003 Draft Rincon Hill Plan indicates that an upper story setback of 15' is required for buildings above a height of 65' for buildings that do not exceed 85' in height. The setback only applies to building frontages on North/South streets. Within 60' of an intersecting cross street, buildings may extend without setbacks to the permitted podium height.

(2) Sums do not equal the totals due to rounding.

Sources: SPUR; San Francisco Municipal Code; Sedway Group.

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**Exhibit C-2**  
**Proposed Zoning: For-Sale Mid-Rise**  
**Rincon Hill Financial Feasibility Analysis**  
**April 2004**

|                  |        |
|------------------|--------|
| Site Coverage    | 18,500 |
| Site Coverage    | 79.9%  |
| Max Floor Size   | 14,775 |
| Density per Acre | 214    |
| Avg Floor Height | 9.75   |

**PORTION OF BUILDING FACING NORTH/SOUTH STREET**

|                                           | Floor        | Height (Ft.) | Cumulative Height | Dimensions |       |          | Gross Sq. Ft. | Efficiency | Net Sq. Ft.   | Percent Residential | Residential Sq. Ft. |               | Units per Floor |
|-------------------------------------------|--------------|--------------|-------------------|------------|-------|----------|---------------|------------|---------------|---------------------|---------------------|---------------|-----------------|
|                                           |              |              |                   | Length     | Width | Diagonal |               |            |               |                     | Gross               | Net           |                 |
| First Six Floors                          | Ground Floor | 15.00        | 15.00             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,488         | 50.0%               | 5,100               | 4,244         | 4               |
|                                           | 2            | 9.75         | 24.75             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,488         | 100.0%              | 10,200              | 8,488         | 9               |
| Floors: 6                                 | 3            | 9.75         | 34.50             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,488         | 100.0%              | 10,200              | 8,488         | 9               |
| Gross Sq. Ft: 61,200                      | 4            | 9.75         | 44.25             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,488         | 100.0%              | 10,200              | 8,488         | 9               |
|                                           | 5            | 9.75         | 54.00             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,488         | 100.0%              | 10,200              | 8,488         | 9               |
|                                           | 6            | 9.75         | 63.75             | 136.0      | 75.0  | 155      | 10,200        | 83%        | 8,488         | 100.0%              | 10,200              | 8,488         | 9               |
| Top Two Floors (1)                        | 7            | 9.75         | 73.50             | 136.0      | 66.6  | 151      | 9,060         | 83%        | 7,539         | 100.0%              | 9,060               | 7,539         | 8               |
| Gross Sq. Ft: 18,120                      | 8            | 9.75         | 83.25             | 136.0      | 66.6  | 151      | 9,060         | 83%        | 7,539         | 100.0%              | 9,060               | 7,539         | 8               |
| <b>Total (Excluding Ground Floor) (2)</b> |              |              |                   |            |       |          | <b>69,120</b> |            | <b>57,520</b> |                     | <b>69,120</b>       | <b>57,520</b> | <b>58</b>       |
| <b>Total (Including Ground Floor) (2)</b> |              |              |                   |            |       |          | <b>79,320</b> |            | <b>66,008</b> |                     | <b>74,220</b>       | <b>61,764</b> | <b>62</b>       |

**PORTION OF BUILDING FACING EAST/WEST STREET**

|                                           | Floor        | Height (Ft.) | Cumulative Height | Dimensions |       |          | Gross Sq. Ft.  | Efficiency | Net Sq. Ft.   | Percent Residential | Residential Sq. Ft. |               | Units per Floor |
|-------------------------------------------|--------------|--------------|-------------------|------------|-------|----------|----------------|------------|---------------|---------------------|---------------------|---------------|-----------------|
|                                           |              |              |                   | Length     | Width | Diagonal |                |            |               |                     | Gross               | Net           |                 |
| First Six Floors                          | Ground Floor | 15.00        | 15.00             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,807         | 50.0%               | 2,288               | 1,904         | 2               |
|                                           | 2            | 9.75         | 24.75             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,807         | 100.0%              | 4,575               | 3,807         | 4               |
| Floors: 6                                 | 3            | 9.75         | 34.50             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,807         | 100.0%              | 4,575               | 3,807         | 4               |
| Gross Sq. Ft: 27,450                      | 4            | 9.75         | 44.25             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,807         | 100.0%              | 4,575               | 3,807         | 4               |
|                                           | 5            | 9.75         | 54.00             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,807         | 100.0%              | 4,575               | 3,807         | 4               |
|                                           | 6            | 9.75         | 63.75             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,807         | 100.0%              | 4,575               | 3,807         | 4               |
| Top Two Floors (1)                        | 7            | 9.75         | 73.50             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,807         | 100.0%              | 4,575               | 3,807         | 4               |
| Gross Sq. Ft: 9,150                       | 8            | 9.75         | 83.25             | 75.0       | 61.0  | 97       | 4,575          | 83%        | 3,807         | 100.0%              | 4,575               | 3,807         | 4               |
| <b>Total (Excluding Ground Floor) (2)</b> |              |              |                   |            |       |          | <b>32,025</b>  |            | <b>26,650</b> |                     | <b>32,025</b>       | <b>26,650</b> | <b>27</b>       |
| <b>Total (Including Ground Floor) (2)</b> |              |              |                   |            |       |          | <b>36,600</b>  |            | <b>30,457</b> |                     | <b>34,313</b>       | <b>28,554</b> | <b>29</b>       |
| <b>Building Total (2)</b>                 |              |              |                   |            |       |          | <b>115,920</b> |            | <b>96,465</b> |                     | <b>108,533</b>      | <b>90,318</b> | <b>91</b>       |

(1) The November 2003 Draft Rincon Hill Plan indicates that an upper story setback of 15' is required for buildings above a height of 65' for buildings that do not exceed 85' in height. The setback only applies to building frontages on North/South streets. Within 60' of an intersecting cross street, buildings may extend without setbacks to the permitted podium height.  
(2) Sums do not equal the totals due to rounding.

Sources: SPUR; San Francisco Municipal Code; Sedway Group.  
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**Exhibit C-3**  
**Existing Zoning: Apartment High-Rise**  
**Rincon Hill Financial Feasibility Analysis**  
**April 2004**

Site Coverage                   18,500  
Site Coverage                   60.7%  
Max Floor Size                 11,236  
Density per Acre               516  
Average Floor Height         9.75

|                                           | Floor        | Cumulative   |            | Dimensions |       |          | Gross          | Efficiency | Net            | Percent     | Residential Sq. Ft. |                | Units      |
|-------------------------------------------|--------------|--------------|------------|------------|-------|----------|----------------|------------|----------------|-------------|---------------------|----------------|------------|
|                                           |              | Height (Ft.) | Height (1) | Length     | Width | Diagonal | Sq. Ft.        |            | Sq. Ft.        | Residential | Gross               | Net            | per Floor  |
| Building Base                             | Ground Floor | 15.00        | 15.00      | 106.0      | 106.0 | 150      | 11,236         | 83%        | 9,326          | 30.0%       | 3,371               | 2,798          | 3          |
|                                           | 2            | 9.75         | 24.75      | 106.0      | 106.0 | 150      | 11,236         | 83%        | 9,326          | 100.0%      | 11,236              | 9,326          | 11         |
| Floors: 5                                 | 3            | 9.75         | 34.50      | 106.0      | 106.0 | 150      | 11,236         | 83%        | 9,326          | 100.0%      | 11,236              | 9,326          | 11         |
| Gross Sq. Ft: 56,180                      | 4            | 9.75         | 44.25      | 106.0      | 106.0 | 150      | 11,236         | 83%        | 9,326          | 100.0%      | 11,236              | 9,326          | 11         |
|                                           | 5            | 9.75         | 54.00      | 106.0      | 106.0 | 150      | 11,236         | 83%        | 9,326          | 100.0%      | 11,236              | 9,326          | 11         |
| Mid Section (2)                           | 6            | 9.75         | 63.75      | 99.6       | 99.6  | 141      | 9,911          | 83%        | 8,226          | 100.0%      | 9,911               | 8,226          | 10         |
|                                           | 7            | 9.75         | 73.50      | 99.6       | 99.6  | 141      | 9,911          | 83%        | 8,226          | 100.0%      | 9,911               | 8,226          | 10         |
| Floors: 5                                 | 8            | 9.75         | 83.25      | 99.6       | 99.6  | 141      | 9,911          | 83%        | 8,226          | 100.0%      | 9,911               | 8,226          | 10         |
| Gross Sq. Ft: 49,555                      | 9            | 9.75         | 93.00      | 99.6       | 99.6  | 141      | 9,911          | 83%        | 8,226          | 100.0%      | 9,911               | 8,226          | 10         |
|                                           | 10           | 9.75         | 102.75     | 99.6       | 99.6  | 141      | 9,911          | 83%        | 8,226          | 100.0%      | 9,911               | 8,226          | 10         |
| Tower                                     | 11           | 9.75         | 112.50     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
|                                           | 12           | 9.75         | 122.25     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
| Floors: 14                                | 13           | 9.75         | 132.00     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
| Gross Sq. Ft: 125,024                     | 14           | 9.75         | 141.75     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
|                                           | 15           | 9.75         | 151.50     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
|                                           | 16           | 9.75         | 161.25     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
|                                           | 17           | 9.75         | 171.00     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
|                                           | 18           | 9.75         | 180.75     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
|                                           | 19           | 9.75         | 190.50     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
|                                           | 20           | 9.75         | 200.25     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
|                                           | 21           | 9.75         | 210.00     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
|                                           | 22           | 9.75         | 219.75     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
|                                           | 23           | 9.75         | 229.50     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
|                                           | 24           | 9.75         | 239.25     | 94.5       | 94.5  | 134      | 8,930          | 80%        | 7,103          | 100.0%      | 8,930               | 7,103          | 9          |
| <b>Total (Excluding Ground Floor) (3)</b> |              |              |            |            |       |          | <b>219,523</b> |            | <b>177,877</b> |             | <b>219,523</b>      | <b>177,877</b> | <b>216</b> |
| <b>Total (Including Ground Floor) (3)</b> |              |              |            |            |       |          | <b>230,759</b> |            | <b>187,203</b> |             | <b>222,893</b>      | <b>180,675</b> | <b>219</b> |

(1) Although existing zoning guidelines allow for multifamily residential development up to 250' in height, this analysis assumes that multifamily residential development under existing zoning guidelines will not exceed 240'. It is assumed that the incremental revenue generated from an additional floor of development is not sufficient to support the costs attributed to the structural requirements for buildings that exceed 240' in height.

(2) Reduction in floor plate to accommodate setback requirement above 50' in height, in which 50 percent of the building frontage shall be set back a minimum of 25 feet from the front property line.

(3) Sums do not equal the totals due to rounding.

Sources: SPUR; San Francisco Municipal Code; Sedway Group.

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**Exhibit C-4**  
**Existing Zoning: For Sale High-Rise**  
**Rincon Hill Financial Feasibility Analysis**  
**April 2004**

|                      |        |
|----------------------|--------|
| Site Coverage        | 18,500 |
| Site Coverage        | 60.7%  |
| Max Floor Size       | 11,236 |
| Density per Acre     | 429    |
| Average Floor Height | 9.75   |

|                                           | Floor        | Height (Ft.) | Cumulative<br>Height (1) | Dimensions |       |          | Gross<br>Sq. Ft. | Efficiency | Net<br>Sq. Ft. | Percent<br>Residential | Residential Sq. Ft. |                | Units<br>per Floor |
|-------------------------------------------|--------------|--------------|--------------------------|------------|-------|----------|------------------|------------|----------------|------------------------|---------------------|----------------|--------------------|
|                                           |              |              |                          | Length     | Width | Diagonal |                  |            |                |                        | Gross               | Net            |                    |
| Building Base                             | Ground Floor | 15.00        | 15.00                    | 106.0      | 106.0 | 150      | 11,236           | 83%        | 9,326          | 30.0%                  | 3,371               | 2,798          | 3                  |
|                                           | 2            | 9.75         | 24.75                    | 106.0      | 106.0 | 150      | 11,236           | 83%        | 9,326          | 100.0%                 | 11,236              | 9,326          | 9                  |
| Floors: 5                                 | 3            | 9.75         | 34.50                    | 106.0      | 106.0 | 150      | 11,236           | 83%        | 9,326          | 100.0%                 | 11,236              | 9,326          | 9                  |
| Gross Sq. Ft: 56,180                      | 4            | 9.75         | 44.25                    | 106.0      | 106.0 | 150      | 11,236           | 83%        | 9,326          | 100.0%                 | 11,236              | 9,326          | 9                  |
|                                           | 5            | 9.75         | 54.00                    | 106.0      | 106.0 | 150      | 11,236           | 83%        | 9,326          | 100.0%                 | 11,236              | 9,326          | 9                  |
| Mid Section (2)                           | 6            | 9.75         | 63.75                    | 99.6       | 99.6  | 141      | 9,911            | 83%        | 8,226          | 100.0%                 | 9,911               | 8,226          | 8                  |
|                                           | 7            | 9.75         | 73.50                    | 99.6       | 99.6  | 141      | 9,911            | 83%        | 8,226          | 100.0%                 | 9,911               | 8,226          | 8                  |
| Floors: 5                                 | 8            | 9.75         | 83.25                    | 99.6       | 99.6  | 141      | 9,911            | 83%        | 8,226          | 100.0%                 | 9,911               | 8,226          | 8                  |
| Gross Sq. Ft: 49,555                      | 9            | 9.75         | 93.00                    | 99.6       | 99.6  | 141      | 9,911            | 83%        | 8,226          | 100.0%                 | 9,911               | 8,226          | 8                  |
|                                           | 10           | 9.75         | 102.75                   | 99.6       | 99.6  | 141      | 9,911            | 83%        | 8,226          | 100.0%                 | 9,911               | 8,226          | 8                  |
| Tower                                     | 11           | 9.75         | 112.50                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
|                                           | 12           | 9.75         | 122.25                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
| Floors: 14                                | 13           | 9.75         | 132.00                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
| Gross Sq. Ft: 125,024                     | 14           | 9.75         | 141.75                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
|                                           | 15           | 9.75         | 151.50                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
|                                           | 16           | 9.75         | 161.25                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
|                                           | 17           | 9.75         | 171.00                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
|                                           | 18           | 9.75         | 180.75                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
|                                           | 19           | 9.75         | 190.50                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
|                                           | 20           | 9.75         | 200.25                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
|                                           | 21           | 9.75         | 210.00                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
|                                           | 22           | 9.75         | 219.75                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
|                                           | 23           | 9.75         | 229.50                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
|                                           | 24           | 9.75         | 239.25                   | 94.5       | 94.5  | 134      | 8,930            | 80%        | 7,100          | 100.0%                 | 8,930               | 7,100          | 7                  |
| <b>Total (Excluding Ground Floor) (3)</b> |              |              |                          |            |       |          | <b>219,523</b>   |            | <b>177,837</b> |                        | <b>219,523</b>      | <b>177,837</b> | <b>179</b>         |
| <b>Total (Including Ground Floor) (3)</b> |              |              |                          |            |       |          | <b>230,759</b>   |            | <b>187,163</b> |                        | <b>222,893</b>      | <b>180,635</b> | <b>182</b>         |

(1) Although existing zoning guidelines allow for multifamily residential development up to 250' in height, this analysis assumes that multifamily residential development under existing zoning guidelines will not exceed 240'. It is assumed that the incremental revenue generated from an additional floor of development is not sufficient to support the costs attributed to the structural requirements for buildings that exceed 240' in height.

(2) Reduction in floor plate to accommodate setback requirement above 50' in height, in which 50 percent of the building frontage shall be set back a minimum of 25 feet from the front property line.

(3) Sums do not equal the totals due to rounding.

Sources: SPUR; San Francisco Municipal Code; Sedway Group.

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**Exhibit C-5**  
**Proposed Zoning: Apartment High-Rise**  
**Rincon Hill Financial Feasibility Analysis**  
**April 2004**

Site Coverage 18,500  
 Site Coverage 72.7%  
 Max Floor Size 13,456  
 Density per Acre 930  
 Average Floor Height 9.75

|                                           | Floor        | Cumulative   |        | Dimensions |       |          | Gross<br>Sq. Ft. | Efficiency | Net<br>Sq. Ft. | Percent<br>Residential | Residential Sq. Ft. |                | Units<br>per Floor |
|-------------------------------------------|--------------|--------------|--------|------------|-------|----------|------------------|------------|----------------|------------------------|---------------------|----------------|--------------------|
|                                           |              | Height (Ft.) | Height | Length     | Width | Diagonal |                  |            |                |                        | Gross               | Net            |                    |
| Building Base                             | Ground Floor | 15.00        | 15.00  | 116.0      | 116.0 | 164      | 13,456           | 83%        | 11,168         | 30.0%                  | 4,037               | 3,351          | 4                  |
|                                           | 2            | 9.75         | 24.75  | 116.0      | 116.0 | 164      | 13,456           | 83%        | 11,168         | 100.0%                 | 13,456              | 11,168         | 14                 |
| Floors: 8                                 | 3            | 9.75         | 34.50  | 116.0      | 116.0 | 164      | 13,456           | 83%        | 11,168         | 100.0%                 | 13,456              | 11,168         | 14                 |
| Gross Sq. Ft. 107,648                     | 4            | 9.75         | 44.25  | 116.0      | 116.0 | 164      | 13,456           | 83%        | 11,168         | 100.0%                 | 13,456              | 11,168         | 14                 |
|                                           | 5            | 9.75         | 54.00  | 116.0      | 116.0 | 164      | 13,456           | 83%        | 11,168         | 100.0%                 | 13,456              | 11,168         | 14                 |
|                                           | 6            | 9.75         | 63.75  | 116.0      | 116.0 | 164      | 13,456           | 83%        | 11,168         | 100.0%                 | 13,456              | 11,168         | 14                 |
|                                           | 7            | 9.75         | 73.50  | 116.0      | 116.0 | 164      | 13,456           | 83%        | 11,168         | 100.0%                 | 13,456              | 11,168         | 14                 |
|                                           | 8            | 9.75         | 83.25  | 116.0      | 116.0 | 164      | 13,456           | 83%        | 11,168         | 100.0%                 | 13,456              | 11,168         | 14                 |
| Tower (1)                                 | 9            | 9.75         | 93.00  | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 10           | 9.75         | 102.75 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
| Floors: 21                                | 11           | 9.75         | 112.50 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
| Gross Sq. Ft. 210,000                     | 12           | 9.75         | 122.25 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 13           | 9.75         | 132.00 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 14           | 9.75         | 141.75 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 15           | 9.75         | 151.50 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 16           | 9.75         | 161.25 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 17           | 9.75         | 171.00 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 18           | 9.75         | 180.75 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 19           | 9.75         | 190.50 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 20           | 9.75         | 200.25 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 21           | 9.75         | 210.00 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 22           | 9.75         | 219.75 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 23           | 9.75         | 229.50 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 24           | 9.75         | 239.25 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 25           | 9.75         | 249.00 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 26           | 9.75         | 258.75 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 27           | 9.75         | 268.50 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 28           | 9.75         | 278.25 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
|                                           | 29           | 9.75         | 288.00 | 100.0      | 100.0 | 141      | 10,000           | 79%        | 7,908          | 100.0%                 | 10,000              | 7,908          | 10                 |
| Top Third of Tower (2)                    | 30           | 9.75         | 297.75 | 100.0      | 90.0  | 135      | 9,000            | 79%        | 7,117          | 100.0%                 | 9,000               | 7,117          | 9                  |
|                                           | 31           | 9.75         | 307.50 | 100.0      | 90.0  | 135      | 9,000            | 79%        | 7,117          | 100.0%                 | 9,000               | 7,117          | 9                  |
| Floors: 11                                | 32           | 9.75         | 317.25 | 100.0      | 90.0  | 135      | 9,000            | 79%        | 7,117          | 100.0%                 | 9,000               | 7,117          | 9                  |
| Gross Sq. Ft. 99,000                      | 33           | 9.75         | 327.00 | 100.0      | 90.0  | 135      | 9,000            | 79%        | 7,117          | 100.0%                 | 9,000               | 7,117          | 9                  |
|                                           | 34           | 9.75         | 336.75 | 100.0      | 90.0  | 135      | 9,000            | 79%        | 7,117          | 100.0%                 | 9,000               | 7,117          | 9                  |
|                                           | 35           | 9.75         | 346.50 | 100.0      | 90.0  | 135      | 9,000            | 79%        | 7,117          | 100.0%                 | 9,000               | 7,117          | 9                  |
|                                           | 36           | 9.75         | 356.25 | 100.0      | 90.0  | 135      | 9,000            | 79%        | 7,117          | 100.0%                 | 9,000               | 7,117          | 9                  |
|                                           | 37           | 9.75         | 366.00 | 100.0      | 90.0  | 135      | 9,000            | 79%        | 7,117          | 100.0%                 | 9,000               | 7,117          | 9                  |
|                                           | 38           | 9.75         | 375.75 | 100.0      | 90.0  | 135      | 9,000            | 79%        | 7,117          | 100.0%                 | 9,000               | 7,117          | 9                  |
|                                           | 39           | 9.75         | 385.50 | 100.0      | 90.0  | 135      | 9,000            | 79%        | 7,117          | 100.0%                 | 9,000               | 7,117          | 9                  |
|                                           | 40           | 9.75         | 395.25 | 100.0      | 90.0  | 135      | 9,000            | 79%        | 7,117          | 100.0%                 | 9,000               | 7,117          | 9                  |
| <b>Total (Excluding Ground Floor) (3)</b> |              |              |        |            |       |          | <b>403,192</b>   |            | <b>322,524</b> |                        | <b>403,192</b>      | <b>322,524</b> | <b>391</b>         |
| <b>Total (Including Ground Floor) (3)</b> |              |              |        |            |       |          | <b>416,648</b>   |            | <b>333,693</b> |                        | <b>407,229</b>      | <b>325,875</b> | <b>395</b>         |

(1) The March 2004 Plan Refinements indicate that the maximum average floor area for a Tower that ranges from 351' to 550' is 10,000 sq. ft.  
 (2) The March 2004 Rincon Hill Plan Refinements indicates that the top third of a tower that ranges from 351' to 550' is subject to a 10 percent volume reduction.  
 (3) Sums do not equal the totals due to rounding.



**Exhibit C-6**  
**Proposed Zoning: For Sale High-Rise**  
**Rincon Hill Financial Feasibility Analysis**  
**April 2004**

Site Coverage 18,500  
 Site Coverage 72.7%  
 Max Floor Size 13,456  
 Density per Acre 775  
 Average Floor Height 9.75

|                                           | Floor        | Cumulative   |        | Dimensions |       |          | Gross          |            | Net            | Percent | Residential Sq. Ft. |                | Units      |
|-------------------------------------------|--------------|--------------|--------|------------|-------|----------|----------------|------------|----------------|---------|---------------------|----------------|------------|
|                                           |              | Height (Ft.) | Height | Length     | Width | Diagonal | Sq. Ft.        | Efficiency |                |         | Gross               | Net            |            |
| Building Base                             | Ground Floor | 15.00        | 15.00  | 116.0      | 116.0 | 164      | 13,456         | 83%        | 11,168         | 30.0%   | 4,037               | 3,351          | 3          |
|                                           | 2            | 9.75         | 24.75  | 116.0      | 116.0 | 164      | 13,456         | 83%        | 11,168         | 100.0%  | 13,456              | 11,168         | 11         |
| Floors: 8                                 | 3            | 9.75         | 34.50  | 116.0      | 116.0 | 164      | 13,456         | 83%        | 11,168         | 100.0%  | 13,456              | 11,168         | 11         |
| Gross Sq. Ft: 107,648                     | 4            | 9.75         | 44.25  | 116.0      | 116.0 | 164      | 13,456         | 83%        | 11,168         | 100.0%  | 13,456              | 11,168         | 11         |
|                                           | 5            | 9.75         | 54.00  | 116.0      | 116.0 | 164      | 13,456         | 83%        | 11,168         | 100.0%  | 13,456              | 11,168         | 11         |
|                                           | 6            | 9.75         | 63.75  | 116.0      | 116.0 | 164      | 13,456         | 83%        | 11,168         | 100.0%  | 13,456              | 11,168         | 11         |
|                                           | 7            | 9.75         | 73.50  | 116.0      | 116.0 | 164      | 13,456         | 83%        | 11,168         | 100.0%  | 13,456              | 11,168         | 11         |
|                                           | 8            | 9.75         | 83.25  | 116.0      | 116.0 | 164      | 13,456         | 83%        | 11,168         | 100.0%  | 13,456              | 11,168         | 11         |
| Tower (1)                                 | 9            | 9.75         | 93.00  | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 10           | 9.75         | 102.75 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
| Floors: 21                                | 11           | 9.75         | 112.50 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
| Gross Sq. Ft: 210,000                     | 12           | 9.75         | 122.25 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 13           | 9.75         | 132.00 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 14           | 9.75         | 141.75 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 15           | 9.75         | 151.50 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 16           | 9.75         | 161.25 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 17           | 9.75         | 171.00 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 18           | 9.75         | 180.75 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 19           | 9.75         | 190.50 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 20           | 9.75         | 200.25 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 21           | 9.75         | 210.00 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 22           | 9.75         | 219.75 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 23           | 9.75         | 229.50 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 24           | 9.75         | 239.25 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 25           | 9.75         | 249.00 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 26           | 9.75         | 258.75 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 27           | 9.75         | 268.50 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 28           | 9.75         | 278.25 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
|                                           | 29           | 9.75         | 288.00 | 100.0      | 100.0 | 141      | 10,000         | 79%        | 7,929          | 100.0%  | 10,000              | 7,929          | 8          |
| Top Third of Tower (2)                    | 30           | 9.75         | 297.75 | 100.0      | 90.0  | 135      | 9,000          | 79%        | 7,136          | 100.0%  | 9,000               | 7,136          | 7          |
|                                           | 31           | 9.75         | 307.50 | 100.0      | 90.0  | 135      | 9,000          | 79%        | 7,136          | 100.0%  | 9,000               | 7,136          | 7          |
| Floors: 11                                | 32           | 9.75         | 317.25 | 100.0      | 90.0  | 135      | 9,000          | 79%        | 7,136          | 100.0%  | 9,000               | 7,136          | 7          |
| Gross Sq. Ft: 99,000                      | 33           | 9.75         | 327.00 | 100.0      | 90.0  | 135      | 9,000          | 79%        | 7,136          | 100.0%  | 9,000               | 7,136          | 7          |
|                                           | 34           | 9.75         | 336.75 | 100.0      | 90.0  | 135      | 9,000          | 79%        | 7,136          | 100.0%  | 9,000               | 7,136          | 7          |
|                                           | 35           | 9.75         | 346.50 | 100.0      | 90.0  | 135      | 9,000          | 79%        | 7,136          | 100.0%  | 9,000               | 7,136          | 7          |
|                                           | 36           | 9.75         | 356.25 | 100.0      | 90.0  | 135      | 9,000          | 79%        | 7,136          | 100.0%  | 9,000               | 7,136          | 7          |
|                                           | 37           | 9.75         | 366.00 | 100.0      | 90.0  | 135      | 9,000          | 79%        | 7,136          | 100.0%  | 9,000               | 7,136          | 7          |
|                                           | 38           | 9.75         | 375.75 | 100.0      | 90.0  | 135      | 9,000          | 79%        | 7,136          | 100.0%  | 9,000               | 7,136          | 7          |
|                                           | 39           | 9.75         | 385.50 | 100.0      | 90.0  | 135      | 9,000          | 79%        | 7,136          | 100.0%  | 9,000               | 7,136          | 7          |
|                                           | 40           | 9.75         | 395.25 | 100.0      | 90.0  | 135      | 9,000          | 79%        | 7,136          | 100.0%  | 9,000               | 7,136          | 7          |
| <b>Total (Excluding Ground Floor) (3)</b> |              |              |        |            |       |          | <b>403,192</b> |            | <b>323,182</b> |         | <b>403,192</b>      | <b>323,182</b> | <b>326</b> |
| <b>Total (Including Ground Floor) (3)</b> |              |              |        |            |       |          | <b>416,648</b> |            | <b>334,350</b> |         | <b>407,229</b>      | <b>326,533</b> | <b>329</b> |

- (1) The March 2004 Plan Refinements indicate that the maximum average floor area for a Tower that ranges from 351' to 550' is 10,000 sq. ft.  
 (2) The March 2004 Rincon Hill Plan Refinements indicates that the top third of a tower that ranges from 351' to 550' is subject to a 10 percent volume reduction.  
 (3) Sums do not equal the totals due to rounding.



**Exhibit C-7**  
**Existing Zoning: Maximum Allowable Sq. Ft. for High-Rise Development (1)**  
**April 2004**

Site Coverage 18,500  
 Site Coverage 72.7%  
 Max Floor Size 13,456

Average Floor Height 9.75

|                                           | Floor        | Cumulative   |        | Dimensions |       |          | Gross<br>Sq. Ft. | Efficiency | Net<br>Sq. Ft. | Percent<br>Residential | Residential Sq. Ft. |                | Units per Floor |            |
|-------------------------------------------|--------------|--------------|--------|------------|-------|----------|------------------|------------|----------------|------------------------|---------------------|----------------|-----------------|------------|
|                                           |              | Height (Ft.) | Height | Length     | Width | Diagonal |                  |            |                |                        | Gross               | Net            | Rental          | For Sale   |
| Building Base (2)                         | Ground Floor | 15.00        | 15.00  | 116        | 116   | 164      | 13,456           | 83%        | 11,168         | 30.0%                  | 4,037               | 3,351          | 4               | 3          |
|                                           | 2            | 9.75         | 24.75  | 116        | 116   | 164      | 13,456           | 83%        | 11,168         | 100.0%                 | 13,456              | 11,168         | 14              | 11         |
| Floors: 5                                 | 3            | 9.75         | 34.50  | 116        | 116   | 164      | 13,456           | 83%        | 11,168         | 100.0%                 | 13,456              | 11,168         | 14              | 11         |
| Gross Sq. Ft: 67,280                      | 4            | 9.75         | 44.25  | 116        | 116   | 164      | 13,456           | 83%        | 11,168         | 100.0%                 | 13,456              | 11,168         | 14              | 11         |
|                                           | 5            | 9.75         | 54.00  | 116        | 116   | 164      | 13,456           | 83%        | 11,168         | 100.0%                 | 13,456              | 11,168         | 14              | 11         |
| Mid Section (3)                           | 6            | 9.75         | 63.75  | 104        | 116   | 155      | 12,006           | 83%        | 9,965          | 100.0%                 | 12,006              | 9,965          | 12              | 10         |
|                                           | 7            | 9.75         | 73.50  | 104        | 116   | 155      | 12,006           | 83%        | 9,965          | 100.0%                 | 12,006              | 9,965          | 12              | 10         |
| Floors: 5                                 | 8            | 9.75         | 83.25  | 104        | 116   | 155      | 12,006           | 83%        | 9,965          | 100.0%                 | 12,006              | 9,965          | 12              | 10         |
| Gross Sq. Ft: 60,030                      | 9            | 9.75         | 93.00  | 104        | 116   | 155      | 12,006           | 83%        | 9,965          | 100.0%                 | 12,006              | 9,965          | 12              | 10         |
|                                           | 10           | 9.75         | 102.75 | 104        | 116   | 155      | 12,006           | 83%        | 9,965          | 100.0%                 | 12,006              | 9,965          | 12              | 10         |
| Tower                                     | 11           | 9.75         | 112.50 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
|                                           | 12           | 9.75         | 122.25 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
| Floors: 14                                | 13           | 9.75         | 132.00 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
| Gross Sq. Ft: 105,000                     | 14           | 9.75         | 141.75 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
|                                           | 15           | 9.75         | 151.50 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
|                                           | 16           | 9.75         | 161.25 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
|                                           | 17           | 9.75         | 171.00 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
|                                           | 18           | 9.75         | 180.75 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
|                                           | 19           | 9.75         | 190.50 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
|                                           | 20           | 9.75         | 200.25 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
|                                           | 21           | 9.75         | 210.00 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
|                                           | 22           | 9.75         | 219.75 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
|                                           | 23           | 9.75         | 229.50 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
|                                           | 24           | 9.75         | 239.25 |            |       |          | 7,500            | 80%        | 6,000          | 100.0%                 | 7,500               | 6,000          | 7               | 6          |
| <b>Total (Excluding Ground Floor) (4)</b> |              |              |        |            |       |          | <b>218,854</b>   |            | <b>178,499</b> |                        | <b>218,854</b>      | <b>178,499</b> | <b>216</b>      | <b>180</b> |
| <b>Total (Including Ground Floor) (4)</b> |              |              |        |            |       |          | <b>232,310</b>   |            | <b>189,667</b> |                        | <b>222,891</b>      | <b>181,849</b> | <b>220</b>      | <b>183</b> |

(1) Although existing zoning guidelines allow for multifamily residential development up to 250' in height, this analysis assumes that multifamily residential development under existing zoning guidelines will not exceed 240'. It is assumed that the incremental revenue generated from an additional floor of development is not sufficient to support the costs attributed to the structural requirements for buildings that exceed 240' in height.

(2) Assumes 20' setback to allow for operable windows.

(3) Represent hypothetical dimensions. The reduction in the size of the floor plate is due to the setback requirement above 50' in height, in which 50 percent of the building frontage shall be set back a minimum of 25 feet from the front property line. Assumes setback requirement begins at 54' rather than 50' as indicated in the existing zoning guidelines.

(4) Sums do not equal the totals due to rounding.

Sources: SPUR; San Francisco Municipal Code; Sedway Group.

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**APPENDIX D**  
**FINANCIAL MODEL OUTPUT**



**EXHIBIT D-1**  
**SUMMARY OF RESULTS: APARTMENT DEVELOPMENT**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                                            | Mid Rise        | High Rise       |                 |
|--------------------------------------------|-----------------|-----------------|-----------------|
|                                            | Proposed Zoning | Existing Zoning | Proposed Zoning |
| <b>Development Program</b>                 |                 |                 |                 |
| Site Size                                  |                 |                 |                 |
| Acres                                      | 0.42            | 0.42            | 0.42            |
| Square Feet                                | 18,500          | 18,500          | 18,500          |
| Total Building Gross Square Foot           | 115,920         | 230,759         | 416,648         |
| Total Net Residential Building Area        | 89,925          | 180,675         | 325,875         |
| Total Units                                | 109             | 219             | 395             |
| Average Unit Size                          | 825             | 825             | 825             |
| <b>Development Costs</b>                   |                 |                 |                 |
| Direct Development Costs (Excluding Land)  | \$25,569,750    | \$56,170,020    | \$97,837,640    |
| Indirect Development Costs                 | 6,251,097       | 15,927,450      | 30,167,059      |
| Total Development Costs                    | \$31,820,847    | \$72,097,470    | \$128,004,699   |
| Per Gross Square Foot                      | \$274.51        | \$312.44        | \$307.23        |
| Per Unit                                   | \$291,934       | \$329,212       | \$324,063       |
| <b>Operating and Valuation Assumptions</b> |                 |                 |                 |
| Average Monthly Rent Per Square Foot       |                 |                 |                 |
| Market Rate                                | \$2.60          | \$2.83          | \$3.05          |
| Below Market Rate                          | \$1.38          | \$1.38          | \$1.38          |
| Net Operating Income                       | \$2,035,574     | \$4,244,543     | \$8,358,241     |
| Return on Cost                             | 8.00%           | 8.25%           | 8.50%           |
| <b>Residual Land Value</b>                 |                 |                 |                 |
| Warranted Private Sector Investment        | \$25,444,673    | \$51,449,004    | \$98,332,246    |
| Residual Land Value                        | (\$6,376,174)   | (\$20,648,467)  | (\$29,672,453)  |
| Per Unit                                   | (\$58,497)      | (\$94,285)      | (\$75,120)      |

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**EXHIBIT D-2**  
**RESIDUAL LAND VALUE AT VARYING LEVELS OF ASSESSMENT FEE**  
**APARTMENT PROJECT**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                       | Mid-Rise        |            | High-Rise       |             |                 |            |
|-----------------------|-----------------|------------|-----------------|-------------|-----------------|------------|
|                       | Proposed Zoning |            | Existing Zoning |             | Proposed Zoning |            |
|                       | Total           | Per Unit   | Total           | Per Unit    | Total           | Per Unit   |
| <b>Assessment Fee</b> |                 |            |                 |             |                 |            |
| \$0.00                | (\$6,376,174)   | (\$58,497) | (\$20,648,467)  | (\$94,285)  | (\$29,672,453)  | (\$75,120) |
| \$1.00                | (\$6,475,772)   | (\$59,411) | (\$20,853,439)  | (\$95,221)  | (\$30,042,150)  | (\$76,056) |
| \$2.00                | (\$6,575,369)   | (\$60,324) | (\$21,058,411)  | (\$96,157)  | (\$30,411,848)  | (\$76,992) |
| \$3.00                | (\$6,674,967)   | (\$61,238) | (\$21,263,383)  | (\$97,093)  | (\$30,781,545)  | (\$77,928) |
| \$4.00                | (\$6,774,565)   | (\$62,152) | (\$21,468,354)  | (\$98,029)  | (\$31,151,243)  | (\$78,864) |
| \$5.00                | (\$6,874,163)   | (\$63,066) | (\$21,673,326)  | (\$98,965)  | (\$31,520,940)  | (\$79,800) |
| \$6.00                | (\$6,973,761)   | (\$63,979) | (\$21,878,298)  | (\$99,901)  | (\$31,890,637)  | (\$80,736) |
| \$7.00                | (\$7,073,358)   | (\$64,893) | (\$22,083,270)  | (\$100,837) | (\$32,260,335)  | (\$81,672) |
| \$8.00                | (\$7,172,956)   | (\$65,807) | (\$22,288,242)  | (\$101,773) | (\$32,630,032)  | (\$82,608) |
| \$9.00                | (\$7,272,554)   | (\$66,721) | (\$22,493,214)  | (\$102,709) | (\$32,999,729)  | (\$83,544) |
| \$10.00               | (\$7,372,152)   | (\$67,634) | (\$22,698,186)  | (\$103,645) | (\$33,369,427)  | (\$84,480) |
| \$11.00               | (\$7,471,750)   | (\$68,548) | (\$22,903,158)  | (\$104,581) | (\$33,739,124)  | (\$85,416) |
| \$12.00               | (\$7,571,347)   | (\$69,462) | (\$23,108,130)  | (\$105,517) | (\$34,108,822)  | (\$86,351) |
| \$13.00               | (\$7,670,945)   | (\$70,376) | (\$23,313,102)  | (\$106,453) | (\$34,478,519)  | (\$87,287) |
| \$14.00               | (\$7,770,543)   | (\$71,289) | (\$23,518,073)  | (\$107,388) | (\$34,848,216)  | (\$88,223) |
| \$15.00               | (\$7,870,141)   | (\$72,203) | (\$23,723,045)  | (\$108,324) | (\$35,217,914)  | (\$89,159) |
| \$16.00               | (\$7,969,739)   | (\$73,117) | (\$23,928,017)  | (\$109,260) | (\$35,587,611)  | (\$90,095) |
| \$17.00               | (\$8,069,336)   | (\$74,031) | (\$24,132,989)  | (\$110,196) | (\$35,957,309)  | (\$91,031) |
| \$18.00               | (\$8,168,934)   | (\$74,944) | (\$24,337,961)  | (\$111,132) | (\$36,327,006)  | (\$91,967) |
| \$19.00               | (\$8,268,532)   | (\$75,858) | (\$24,542,933)  | (\$112,068) | (\$36,696,703)  | (\$92,903) |
| \$20.00               | (\$8,368,130)   | (\$76,772) | (\$24,747,905)  | (\$113,004) | (\$37,066,401)  | (\$93,839) |

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**EXHIBIT D-3**  
**RESIDUAL LAND VALUE AT VARYING LEVELS OF ASSESSMENT FEE AND GROWTH RATES IN RENTAL RATES**  
**APARTMENT PROJECT**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

| Assessment Fee | Aggregate Residual Land Value |               |               |                             |                |                |                             |                |                |
|----------------|-------------------------------|---------------|---------------|-----------------------------|----------------|----------------|-----------------------------|----------------|----------------|
|                | Mid-Rise (Proposed Zoning)    |               |               | High-Rise (Existing Zoning) |                |                | High-Rise (Proposed Zoning) |                |                |
|                | 0.0%                          | 10.0%         | 20.0%         | 0.0%                        | 10.0%          | 20.0%          | 0.0%                        | 10.0%          | 20.0%          |
| \$0.00         | (\$6,376,174)                 | (\$3,465,692) | (\$555,211)   | (\$20,648,467)              | (\$14,560,229) | (\$8,471,991)  | (\$29,672,453)              | (\$18,462,963) | (\$7,253,473)  |
| \$5.00         | (\$6,874,163)                 | (\$3,963,681) | (\$1,053,200) | (\$21,673,326)              | (\$15,585,089) | (\$9,496,851)  | (\$31,520,940)              | (\$20,311,450) | (\$9,101,960)  |
| \$10.00        | (\$7,372,152)                 | (\$4,461,670) | (\$1,551,189) | (\$22,698,186)              | (\$16,609,948) | (\$10,521,711) | (\$33,369,427)              | (\$22,159,937) | (\$10,950,446) |
| \$15.00        | (\$7,870,141)                 | (\$4,959,659) | (\$2,049,178) | (\$23,723,045)              | (\$17,634,808) | (\$11,546,570) | (\$35,217,914)              | (\$24,008,424) | (\$12,798,933) |
| \$20.00        | (\$8,368,130)                 | (\$5,457,648) | (\$2,547,167) | (\$24,747,905)              | (\$18,659,667) | (\$12,571,430) | (\$37,066,401)              | (\$25,856,911) | (\$14,647,420) |

| Assessment Fee | Per Unit Residual Land Value |            |            |                             |            |            |                             |            |            |
|----------------|------------------------------|------------|------------|-----------------------------|------------|------------|-----------------------------|------------|------------|
|                | Mid-Rise (Proposed Zoning)   |            |            | High-Rise (Existing Zoning) |            |            | High-Rise (Proposed Zoning) |            |            |
|                | 0.0%                         | 10.0%      | 20.0%      | 0.0%                        | 10.0%      | 20.0%      | 0.0%                        | 10.0%      | 20.0%      |
| \$0.00         | (\$58,497)                   | (\$31,795) | (\$5,094)  | (\$94,285)                  | (\$66,485) | (\$38,685) | (\$75,120)                  | (\$46,742) | (\$18,363) |
| \$5.00         | (\$63,066)                   | (\$36,364) | (\$9,662)  | (\$98,965)                  | (\$71,165) | (\$43,365) | (\$79,800)                  | (\$51,421) | (\$23,043) |
| \$10.00        | (\$67,634)                   | (\$40,933) | (\$14,231) | (\$103,645)                 | (\$75,845) | (\$48,044) | (\$84,480)                  | (\$56,101) | (\$27,723) |
| \$15.00        | (\$72,203)                   | (\$45,501) | (\$18,800) | (\$108,324)                 | (\$80,524) | (\$52,724) | (\$89,159)                  | (\$60,781) | (\$32,402) |
| \$20.00        | (\$76,772)                   | (\$50,070) | (\$23,369) | (\$113,004)                 | (\$85,204) | (\$57,404) | (\$93,839)                  | (\$65,461) | (\$37,082) |

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**EXHIBIT D-4**  
**SUMMARY OF RESULTS: FOR SALE DEVELOPMENT**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                                                                                                         | Mid Rise<br>Proposed Zoning | High Rise<br>Existing Zoning | High Rise<br>Proposed Zoning |
|---------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------|------------------------------|
| <b>Development Program</b>                                                                              |                             |                              |                              |
| Site Size                                                                                               |                             |                              |                              |
| Acres                                                                                                   | 0.42                        | 0.42                         | 0.42                         |
| Square Feet                                                                                             | 18,500                      | 18,500                       | 18,500                       |
| Total Building Gross Square Foot                                                                        | 115,920                     | 230,759                      | 416,648                      |
| Total Net Residential Building Area                                                                     | 90,318                      | 180,635                      | 326,533                      |
| Total Units                                                                                             | 91                          | 182                          | 329                          |
| Average Unit Size                                                                                       | 993                         | 993                          | 992                          |
| <b>Development Costs</b>                                                                                |                             |                              |                              |
| Direct Development Costs (Excluding Land)                                                               | \$26,135,220                | \$53,040,061                 | \$91,228,362                 |
| Indirect Development Costs                                                                              | 11,405,118                  | 26,934,476                   | 52,390,514                   |
| Total Development Costs                                                                                 | \$37,540,338                | \$79,974,537                 | \$143,618,876                |
| Per Gross Square Foot                                                                                   | \$323.85                    | \$346.57                     | \$344.70                     |
| Per Unit                                                                                                | \$412,531                   | \$439,421                    | \$436,532                    |
| <b>Operating Assumptions</b>                                                                            |                             |                              |                              |
| Sales Price per Square Foot                                                                             |                             |                              |                              |
| Market Rate                                                                                             | \$601                       | \$685                        | \$726                        |
| Below Market Rate                                                                                       | \$247                       | \$276                        | \$268                        |
| Gross Profit                                                                                            | 20.0%                       | 25.0%                        | 30.0%                        |
| <b>Residual Land Value</b>                                                                              |                             |                              |                              |
| Total Gross Sales Proceeds                                                                              | \$50,457,919                | \$114,894,258                | \$219,184,256                |
| Residual Land Value                                                                                     | \$4,507,928                 | \$11,940,869                 | \$24,984,398                 |
| Per Unit                                                                                                | \$49,538                    | \$65,609                     | \$75,940                     |
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**EXHIBIT D-5**  
**RESIDUAL LAND VALUE AT VARYING LEVELS OF ASSESSMENT FEE**  
**FOR SALE PROJECT**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                       | Mid-Rise        |          | High-Rise       |          |                 |          |
|-----------------------|-----------------|----------|-----------------|----------|-----------------|----------|
|                       | Proposed Zoning |          | Existing Zoning |          | Proposed Zoning |          |
|                       | Total           | Per Unit | Total           | Per Unit | Total           | Per Unit |
| <b>Assessment Fee</b> |                 |          |                 |          |                 |          |
| \$0.00                | \$4,507,928     | \$49,538 | \$11,940,869    | \$65,609 | \$24,984,398    | \$75,940 |
| \$1.00                | \$4,404,780     | \$48,404 | \$11,725,550    | \$64,426 | \$24,575,108    | \$74,696 |
| \$2.00                | \$4,301,633     | \$47,271 | \$11,510,231    | \$63,243 | \$24,165,819    | \$73,452 |
| \$3.00                | \$4,198,485     | \$46,137 | \$11,294,912    | \$62,060 | \$23,756,529    | \$72,208 |
| \$4.00                | \$4,095,338     | \$45,004 | \$11,079,593    | \$60,877 | \$23,347,240    | \$70,964 |
| \$5.00                | \$3,992,190     | \$43,870 | \$10,864,274    | \$59,694 | \$22,937,950    | \$69,720 |
| \$6.00                | \$3,889,043     | \$42,737 | \$10,648,955    | \$58,511 | \$22,528,661    | \$68,476 |
| \$7.00                | \$3,785,896     | \$41,603 | \$10,432,447    | \$57,321 | \$22,119,372    | \$67,232 |
| \$8.00                | \$3,682,748     | \$40,470 | \$10,214,085    | \$56,121 | \$21,710,082    | \$65,988 |
| \$9.00                | \$3,579,601     | \$39,336 | \$9,995,722     | \$54,922 | \$21,300,793    | \$64,744 |
| \$10.00               | \$3,476,453     | \$38,203 | \$9,777,360     | \$53,722 | \$20,891,503    | \$63,500 |
| \$11.00               | \$3,373,306     | \$37,069 | \$9,558,997     | \$52,522 | \$20,482,214    | \$62,256 |
| \$12.00               | \$3,270,159     | \$35,936 | \$9,340,634     | \$51,322 | \$20,072,924    | \$61,012 |
| \$13.00               | \$3,167,011     | \$34,802 | \$9,122,272     | \$50,122 | \$19,663,635    | \$59,768 |
| \$14.00               | \$3,063,864     | \$33,669 | \$8,903,909     | \$48,923 | \$19,254,345    | \$58,524 |
| \$15.00               | \$2,960,716     | \$32,535 | \$8,685,547     | \$47,723 | \$18,845,056    | \$57,280 |
| \$16.00               | \$2,857,569     | \$31,402 | \$8,467,184     | \$46,523 | \$18,435,767    | \$56,036 |
| \$17.00               | \$2,754,422     | \$30,268 | \$8,248,822     | \$45,323 | \$18,026,477    | \$54,792 |
| \$18.00               | \$2,651,274     | \$29,135 | \$8,030,459     | \$44,123 | \$17,617,188    | \$53,548 |
| \$19.00               | \$2,548,127     | \$28,001 | \$7,812,096     | \$42,924 | \$17,207,898    | \$52,304 |
| \$20.00               | \$2,444,979     | \$26,868 | \$7,593,734     | \$41,724 | \$16,798,609    | \$51,060 |

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**EXHIBIT D-6**  
**RESIDUAL LAND VALUE AT VARYING LEVELS OF ASSESSMENT FEE AND GROWTH RATES IN FOR SALE PRICES**  
**FOR SALE PROJECT**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

| Assessment Fee | Aggregate Residual Land Value |             |             |                             |              |              |                             |              |              |
|----------------|-------------------------------|-------------|-------------|-----------------------------|--------------|--------------|-----------------------------|--------------|--------------|
|                | Mid-Rise (Proposed Zoning)    |             |             | High-Rise (Existing Zoning) |              |              | High-Rise (Proposed Zoning) |              |              |
|                | (5.0%)                        | 0.0%        | 5.0%        | (5.0%)                      | 0.0%         | 5.0%         | (5.0%)                      | 0.0%         | 5.0%         |
| \$0.00         | \$2,659,340                   | \$4,507,928 | \$6,356,515 | \$7,874,929                 | \$11,940,869 | \$15,979,997 | \$17,408,103                | \$24,984,398 | \$32,478,073 |
| \$5.00         | \$2,143,603                   | \$3,992,190 | \$5,840,778 | \$6,783,116                 | \$10,864,274 | \$14,903,403 | \$15,361,656                | \$22,937,950 | \$30,461,384 |
| \$10.00        | \$1,627,866                   | \$3,476,453 | \$5,325,041 | \$5,691,304                 | \$9,777,360  | \$13,826,808 | \$13,315,209                | \$20,891,503 | \$28,444,694 |
| \$15.00        | \$1,112,129                   | \$2,960,716 | \$4,809,304 | \$4,599,491                 | \$8,685,547  | \$12,750,213 | \$11,268,761                | \$18,845,056 | \$26,421,351 |
| \$20.00        | \$596,392                     | \$2,444,979 | \$4,293,567 | \$3,507,678                 | \$7,593,734  | \$11,673,618 | \$9,222,314                 | \$16,798,609 | \$24,374,904 |

| Assessment Fee | Per Unit Residual Land Value |          |          |                             |          |          |                             |          |          |
|----------------|------------------------------|----------|----------|-----------------------------|----------|----------|-----------------------------|----------|----------|
|                | Mid-Rise (Proposed Zoning)   |          |          | High-Rise (Existing Zoning) |          |          | High-Rise (Proposed Zoning) |          |          |
|                | (5.0%)                       | 0.0%     | 5.0%     | (5.0%)                      | 0.0%     | 5.0%     | (5.0%)                      | 0.0%     | 5.0%     |
| \$0.00         | \$29,224                     | \$49,538 | \$69,852 | \$43,269                    | \$65,609 | \$87,802 | \$52,912                    | \$75,940 | \$98,718 |
| \$5.00         | \$23,556                     | \$43,870 | \$64,184 | \$37,270                    | \$59,694 | \$81,887 | \$46,692                    | \$69,720 | \$92,588 |
| \$10.00        | \$17,889                     | \$38,203 | \$58,517 | \$31,271                    | \$53,722 | \$75,971 | \$40,472                    | \$63,500 | \$86,458 |
| \$15.00        | \$12,221                     | \$32,535 | \$52,849 | \$25,272                    | \$47,723 | \$70,056 | \$34,252                    | \$57,280 | \$80,308 |
| \$20.00        | \$6,554                      | \$26,868 | \$47,182 | \$19,273                    | \$41,724 | \$64,141 | \$28,031                    | \$51,060 | \$74,088 |



**EXHIBIT D-7**  
**GENERAL ASSUMPTIONS**  
**MIDRISE APARTMENTS (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

| SITE AND BUILDING PARAMETERS    |         |
|---------------------------------|---------|
| Site Parameters                 |         |
| Site Size (Acres)               | 0.4     |
| Site Size (Square Feet)         | 18,500  |
| Building Parameters             |         |
| Gross Building Square Feet      | 115,920 |
| Efficiency Factor               | 77.6%   |
| Net Rentable Square Feet        | 89,925  |
| Number of Apartments            | 109     |
| Average Unit Size - Square Feet | 825     |

| PARKING PARAMETERS                       |        |
|------------------------------------------|--------|
| Parking Spaces per Apartment             | 1.0    |
| Total Parking Spaces                     | 109    |
| Average Parking Space Size - Square Feet | 257    |
| Gross Parking Square Feet (1)            | 28,000 |

| OPERATING ASSUMPTIONS              |         |
|------------------------------------|---------|
| Market Rate Units                  |         |
| Average Monthly Rental Rate        | \$2,147 |
| Yearly Occupancy                   | 95.0%   |
| Below Market Rate Units            |         |
| Average Monthly Rental Rate        | \$1,141 |
| Yearly Occupancy                   | 98.0%   |
| Average Monthly Parking Rate       | \$200   |
| Annual Operating Expenses per Unit | \$6,800 |

| VALUATION ASSUMPTIONS          |       |
|--------------------------------|-------|
| Stabilized Capitalization Rate | 6.5%  |
| Return on Cost                 | 8.00% |
| Transaction Costs              | 1.0%  |

| DEBT AND EQUITY FINANCING PARAMETERS          |              |                                               |             |
|-----------------------------------------------|--------------|-----------------------------------------------|-------------|
| Construction Period (years)                   | 1.5          | Total Equity                                  | \$7,955,212 |
| Loan To Cost (% of Total and Indirect Costs)  | 75%          | Total Equity as a Percent of Total Dev. Costs | 25.0%       |
| Loan Amount (Plus Points)                     | \$23,865,635 | Interest Carry                                | 0.00%       |
| Drawdown Factor (Average Outstanding Balance) | 65%          |                                               |             |
| Interest Rate                                 | 6.50%        |                                               |             |
| Finance Fees/Loan Points                      | 1.0%         |                                               |             |

Notes:

(1) Parking area is reduced by 0% due to the use of lifts and valet service.

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-8**  
**UNIT ASSUMPTIONS**  
**MIDRISE APARTMENTS (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

**GENERAL ASSUMPTIONS**

|                                         |  |     |
|-----------------------------------------|--|-----|
| <b>Market Rate Units</b>                |  |     |
| Total Market Rate Units                 |  | 96  |
| Percent of Total Units                  |  | 88% |
| Stabilized Vacancy/Collection Loss Rate |  | 5%  |
| Percent of Units Preleased              |  | 15% |
| Absorption Rate (units per month)       |  | 25  |
| Months to Stabilized Occupancy          |  | 3   |
| <b>Below Market Rate Units</b>          |  |     |
| Total Units                             |  | 13  |
| Percent of Total Units                  |  | 12% |
| Stabilized Vacancy/Collection Loss Rate |  | 2%  |
| Percent of Annual Median Income         |  | 60% |

**MARKET-RATE UNIT BREAKDOWN**

| Unit Mix                        | #  | Percent | Mo. Rent<br>(2004 \$s) | Size<br>(Sq.Ft.) | Rent<br>Per Sq.Ft. |
|---------------------------------|----|---------|------------------------|------------------|--------------------|
| Studio/Jr. One-Bedroom/One-Bath | 10 | 10%     | \$1,450                | 500              | \$2.90             |
| One Bedroom/One-Bath            | 33 | 35%     | 1,800                  | 650              | \$2.77             |
| Two Bedroom/Two-Bath            | 43 | 45%     | 2,400                  | 950              | \$2.53             |
| Three Bedroom/Two-Bath          | 10 | 10%     | 2,900                  | 1,200            | \$2.42             |
| Total / Weighted Average        | 96 | 100%    | \$2,147                | 826              | \$2.60             |

**BELOW MARKET RATE UNIT BREAKDOWN**

| Unit Mix                        | #  | Percent | Mo. Rent<br>(2004 \$s) | Size<br>(Sq.Ft.) | Rent<br>Per Sq.Ft. |
|---------------------------------|----|---------|------------------------|------------------|--------------------|
| Studio/Jr. One-Bedroom/One-Bath | 1  | 10%     | \$952                  | 500              | \$1.90             |
| One Bedroom/One-Bath            | 5  | 35%     | 1,082                  | 650              | 1.66               |
| Two Bedroom/Two-Bath            | 6  | 45%     | 1,193                  | 950              | 1.26               |
| Three Bedroom/Two-Bath          | 1  | 10%     | 1,306                  | 1,200            | 1.09               |
| Total / Weighted Average        | 13 | 100%    | \$1,141                | 825              | \$1.38             |

**EXPENSE ASSUMPTIONS**

|                                      |         |
|--------------------------------------|---------|
| Per Unit Operating Expenses per year | \$6,800 |
| Property Taxes                       | \$0     |

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.  
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**EXHIBIT D-9**  
**DEVELOPMENT COSTS (EXCLUDING LAND)<sup>1</sup>**  
**MIDRISE APARTMENTS (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                                                     | Factor          |                  | Total               | Notes                                                |
|-----------------------------------------------------|-----------------|------------------|---------------------|------------------------------------------------------|
|                                                     | \$/Gross SF     | \$/Unit          |                     |                                                      |
| <b>Direct Development Costs</b>                     |                 |                  |                     |                                                      |
| Residential Construction and Site Improvement Costs | \$189.24        | 201,257          | \$21,937,000        | (\$189.24 Per Residential Gross Sq. Ft.)             |
| Parking Construction                                | 24.91           | 26,495           | 2,888,000           | (\$26,495 Per Space)                                 |
| Hard Cost Contingency                               | 6.42            | 6,833            | 744,750             | (3.0% of Residential and Parking Construction Costs) |
| <b>Total Direct Development Costs</b>               | <b>\$220.58</b> | <b>\$234,585</b> | <b>\$25,569,750</b> |                                                      |
| <b>Indirect Development Costs</b>                   |                 |                  |                     |                                                      |
| Architecture and Engineering Fees                   | \$11.03         | \$11,729         | \$1,278,488         | (5.0% of Total Direct Development Costs)             |
| Planning and Entitlement                            | 1.10            | 1,173            | 127,849             | (0.5% of Total Direct Development Costs)             |
| Legal and Other Fees                                | 1.10            | 1,173            | 127,849             | (0.5% of Total Direct Costs)                         |
| School Impact Fees                                  | 1.33            | 1,419            | 154,671             | (\$1.72 Per Net Square Foot)                         |
| Building Permit Fees                                | 2.21            | 2,346            | 255,698             | (1.0% of Total Direct Development Costs)             |
| Insurance                                           | 1.13            | 1,200            | 130,800             | (\$1,200 Per Unit)                                   |
| Marketing Costs                                     | 2.33            | 2,475            | 269,775             | (\$3.00 Per Net Sq. Ft.)                             |
| Developer Assessment Fee                            | 0.00            | 0                | 0                   | (\$0.00 Per Net Sq. Ft.)                             |
| Developer Fee/Overhead                              | 11.03           | 11,729           | 1,278,488           | (5.0% of Total Direct Development Costs)             |
| Property Taxes During Construction                  | 2.72            | 2,891            | 315,091             | (1.11 percent of Dev. Costs)                         |
| Finance Fees/Loan Points                            | 2.06            | 2,190            | 238,656             | (1.0 percent of Total Loan Amount)                   |
| Construction Loan Interest During Construction      | 13.93           | 14,815           | 1,614,824           |                                                      |
| Interest Carry of Developer Equity                  | 0.00            | 0                | 0                   |                                                      |
| Net Operating Income Loss During Lease Up           | 2.39            | 2,540            | 276,838             |                                                      |
| Soft Cost Contingency                               | 1.57            | 1,670            | 182,071             | (3.0% of Total Soft Costs)                           |
| <b>Total Soft Costs</b>                             | <b>\$53.93</b>  | <b>\$57,350</b>  | <b>\$6,251,097</b>  |                                                      |
| <b>Total Development Costs</b>                      | <b>\$274.51</b> | <b>\$291,934</b> | <b>\$31,820,847</b> |                                                      |

Notes:

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-10**  
**STABILIZED OPERATING PRO FORMA AND LAND RESIDUAL ANALYSIS**  
**MIDRISE APARTMENTS (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

**Stabilized Operating Statement**

|                                                    |                    |
|----------------------------------------------------|--------------------|
| Weighted Average Monthly Rental Rate               | \$2,026            |
| Total Apartment Units                              | 109                |
| Average Monthly Parking Rate                       | \$200              |
| Total Parking Spaces                               | 109                |
| Weighted Average Stabilized Occupancy Rate         | 95.4%              |
| Yearly Gross Income                                | <u>\$2,776,774</u> |
| Less: Annual Operating Expenses (\$6,800 per unit) | (741,200)          |
| Less: Valet Service                                | <u>0</u>           |
| Yearly Net Operating Income                        | \$2,035,574        |

**Residual Land Value**

|                                                    |                     |
|----------------------------------------------------|---------------------|
| Warranted Investment (8.0 percent Return on Cost)  | \$25,444,673        |
| Less: Total Development Costs (Excluding Land)     | <u>(31,820,847)</u> |
| Residual Land Value                                | (\$6,376,174)       |
| Residual Land Value per Building Gross Square Foot | (\$55.00)           |
| Residual Land Value per Unit                       | (\$58,497)          |

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-11**  
**GENERAL ASSUMPTIONS**  
**HIGH-RISE APARTMENTS (EXISTING ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

**SITE AND BUILDING PARAMETERS**

|                                 |         |
|---------------------------------|---------|
| Site Parameters                 |         |
| Site Size (Acres)               | 0.4     |
| Site Size (Square Feet)         | 18,500  |
| Building Parameters             |         |
| Gross Building Square Feet      | 230,759 |
| Efficiency Factor               | 78.3%   |
| Net Rentable Square Feet        | 180,675 |
| Number of Apartments            | 219     |
| Average Unit Size - Square Feet | 825     |

**PARKING PARAMETERS**

|                                          |         |
|------------------------------------------|---------|
| Parking Spaces per Apartment             | 1.0     |
| Total Parking Spaces                     | 219     |
| Average Parking Space Size - Square Feet | 466     |
| Gross Parking Square Feet (1)            | 101,999 |

**OPERATING ASSUMPTIONS**

|                                    |         |
|------------------------------------|---------|
| Market Rate Units                  |         |
| Average Monthly Rental Rate        | \$2,336 |
| Yearly Occupancy                   | 95.0%   |
| Below Market Rate Units            |         |
| Average Monthly Rental Rate        | \$1,141 |
| Yearly Occupancy                   | 98.0%   |
| Average Monthly Parking Rate       | \$200   |
| Annual Operating Expenses per Unit | \$8,000 |

**VALUATION ASSUMPTIONS**

|                                |       |
|--------------------------------|-------|
| Stabilized Capitalization Rate | 6.5%  |
| Return on Cost                 | 8.25% |
| Transaction Costs              | 1.0%  |

**DEBT AND EQUITY FINANCING PARAMETERS**

|                                               |              |                                               |              |
|-----------------------------------------------|--------------|-----------------------------------------------|--------------|
| Construction Period (years)                   | 2.0          | Total Equity                                  | \$18,024,368 |
| Loan To Cost (% of Total and Indirect Costs)  | 75%          | Total Equity as a Percent of Total Dev. Costs | 25.0%        |
| Loan Amount (Plus Points)                     | \$54,073,103 | Interest Carry                                | 0.00%        |
| Drawdown Factor (Average Outstanding Balance) | 65%          |                                               |              |
| Interest Rate                                 | 6.50%        |                                               |              |
| Finance Fees/Loan Points                      | 1.0%         |                                               |              |

Notes:

(1) Parking area is reduced by 0% due to the use of lifts and valet service.

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-12**  
**UNIT ASSUMPTIONS**  
**HIGH-RISE APARTMENTS (EXISTING ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

**GENERAL ASSUMPTIONS**

|                                         |  |     |
|-----------------------------------------|--|-----|
| <b>Market Rate Units</b>                |  |     |
| Total Market Rate Units                 |  | 192 |
| Percent of Total Units                  |  | 88% |
| Stabilized Vacancy/Collection Loss Rate |  | 5%  |
| Percent of Units Preleased              |  | 15% |
| Absorption Rate (units per month)       |  | 25  |
| Months to Stabilized Occupancy          |  | 7   |
| <b>Below Market Rate Units</b>          |  |     |
| Total Units                             |  | 27  |
| Percent of Total Units                  |  | 12% |
| Stabilized Vacancy/Collection Loss Rate |  | 2%  |
| Percent of Annual Median Income         |  | 60% |

**MARKET-RATE UNIT BREAKDOWN**

| Unit Mix                        | #   | Percent | Mo. Rent<br>(2004 \$s) | Size<br>(Sq.Ft.) | Rent<br>Per Sq.Ft. |
|---------------------------------|-----|---------|------------------------|------------------|--------------------|
| Studio/Jr. One-Bedroom/One-Bath | 19  | 10%     | \$1,550                | 500              | \$3.10             |
| One Bedroom/One-Bath            | 67  | 35%     | 2,000                  | 650              | \$3.08             |
| Two Bedroom/Two-Bath            | 87  | 45%     | 2,600                  | 950              | \$2.74             |
| Three Bedroom/Two-Bath          | 19  | 10%     | 3,100                  | 1,200            | \$2.58             |
| Total / Weighted Average        | 192 | 100%    | \$2,336                | 826              | \$2.83             |

**BELOW MARKET RATE UNIT BREAKDOWN**

| Unit Mix                        | #  | Percent | Mo. Rent<br>(2004 \$s) | Size<br>(Sq.Ft.) | Rent<br>Per Sq.Ft. |
|---------------------------------|----|---------|------------------------|------------------|--------------------|
| Studio/Jr. One-Bedroom/One-Bath | 3  | 10%     | \$952                  | 500              | \$1.90             |
| One Bedroom/One-Bath            | 9  | 35%     | 1,082                  | 650              | 1.66               |
| Two Bedroom/Two-Bath            | 12 | 45%     | 1,193                  | 950              | 1.26               |
| Three Bedroom/Two-Bath          | 3  | 10%     | 1,306                  | 1,200            | 1.09               |
| Total / Weighted Average        | 27 | 100%    | \$1,141                | 825              | \$1.38             |

**EXPENSE ASSUMPTIONS**

|                                      |         |
|--------------------------------------|---------|
| Per Unit Operating Expenses per year | \$8,000 |
| Property Taxes                       | \$0     |

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.  
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**EXHIBIT D-13**  
**DEVELOPMENT COSTS (EXCLUDING LAND)<sup>1</sup>**  
**HIGH-RISE APARTMENTS (EXISTING ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                                                     | Factor          |                  | Total               | Notes                                                |
|-----------------------------------------------------|-----------------|------------------|---------------------|------------------------------------------------------|
|                                                     | \$/Gross SF     | \$/Unit          |                     |                                                      |
| <b>Direct Development Costs</b>                     |                 |                  |                     |                                                      |
| Residential Construction and Site Improvement Costs | \$200.68        | 211,452          | \$46,308,000        | (\$200.68 Per Residential Gross Sq. Ft.)             |
| Parking Construction                                | 35.65           | 37,562           | 8,226,000           | (\$37,562 Per Space)                                 |
| Hard Cost Contingency                               | 7.09            | 7,470            | 1,636,020           | (3.0% of Residential and Parking Construction Costs) |
| <b>Total Direct Development Costs</b>               | <b>\$243.41</b> | <b>\$256,484</b> | <b>\$56,170,020</b> |                                                      |
| <b>Indirect Development Costs</b>                   |                 |                  |                     |                                                      |
| Architecture and Engineering Fees                   | \$12.17         | \$12,824         | \$2,808,501         | (5.0% of Total Direct Development Costs)             |
| Planning and Entitlement                            | 1.22            | 1,282            | 280,850             | (0.5% of Total Direct Development Costs)             |
| Legal and Other Fees                                | 1.22            | 1,282            | 280,850             | (0.5% of Total Direct Costs)                         |
| School Impact Fees                                  | 1.35            | 1,419            | 310,762             | (\$1.72 Per Net Square Foot)                         |
| Building Permit Fees                                | 2.43            | 2,565            | 561,700             | (1.0% of Total Direct Development Costs)             |
| Insurance                                           | 1.14            | 1,200            | 262,800             | (\$1,200 Per Unit)                                   |
| Marketing Costs                                     | 2.35            | 2,475            | 542,026             | (\$3.00 Per Net Sq. Ft.)                             |
| Developer Assessment Fee                            | 0.00            | 0                | 0                   | (\$0.00 Per Net Sq. Ft.)                             |
| Developer Fee/Overhead                              | 12.17           | 12,824           | 2,808,501           | (5.0% of Total Direct Development Costs)             |
| Property Taxes During Construction                  | 3.99            | 4,207            | 921,398             | (1.11 percent of Dev. Costs)                         |
| Finance Fees/Loan Points                            | 2.34            | 2,469            | 540,731             | (1.0 percent of Total Loan Amount)                   |
| Construction Loan Interest During Construction      | 21.63           | 22,790           | 4,990,909           |                                                      |
| Interest Carry of Developer Equity                  | 0.00            | 0                | 0                   |                                                      |
| Net Operating Income Loss During Lease Up           | 5.00            | 5,272            | 1,154,516           |                                                      |
| Soft Cost Contingency                               | 2.01            | 2,118            | 463,906             | (3.0% of Total Soft Costs)                           |
| <b>Total Soft Costs</b>                             | <b>\$69.02</b>  | <b>\$72,728</b>  | <b>\$15,927,450</b> |                                                      |
| <b>Total Development Costs</b>                      | <b>\$312.44</b> | <b>\$329,212</b> | <b>\$72,097,470</b> |                                                      |

Notes:

Sources: Parkow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-14**  
**STABILIZED OPERATING PRO FORMA AND LAND RESIDUAL ANALYSIS**  
**HIGH-RISE APARTMENTS (EXISTING ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

**Stabilized Operating Statement**

|                                                    |                    |
|----------------------------------------------------|--------------------|
| Weighted Average Monthly Rental Rate               | \$2,193            |
| Total Apartment Units                              | 219                |
| Average Monthly Parking Rate                       | \$200              |
| Total Parking Spaces                               | 219                |
| Weighted Average Stabilized Occupancy Rate         | 95.4%              |
| Yearly Gross Income                                | <u>\$5,996,543</u> |
| Less: Annual Operating Expenses (\$8,000 per unit) | (1,752,000)        |
| Less: Valet Service                                | <u>0</u>           |
| Yearly Net Operating Income                        | \$4,244,543        |

**Residual Land Value**

|                                                    |                     |
|----------------------------------------------------|---------------------|
| Warranted Investment (8.3 percent Return on Cost)  | \$51,449,004        |
| Less: Total Development Costs (Excluding Land)     | <u>(72,097,470)</u> |
| Residual Land Value                                | (\$20,648,467)      |
| Residual Land Value per Building Gross Square Foot | (\$89.48)           |
| Residual Land Value per Unit                       | (\$94,285)          |

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-15**  
**GENERAL ASSUMPTIONS**  
**HIGH-RISE APARTMENTS (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

**SITE AND BUILDING PARAMETERS**

|                                 |         |
|---------------------------------|---------|
| Site Parameters                 |         |
| Site Size (Acres)               | 0.4     |
| Site Size (Square Feet)         | 18,500  |
| Building Parameters             |         |
| Gross Building Square Feet      | 416,648 |
| Efficiency Factor               | 78.2%   |
| Net Rentable Square Feet        | 325,875 |
| Number of Apartments            | 395     |
| Average Unit Size - Square Feet | 825     |

**PARKING PARAMETERS**

|                                          |        |
|------------------------------------------|--------|
| Parking Spaces per Apartment             | 1.0    |
| Total Parking Spaces                     | 395    |
| Average Parking Space Size - Square Feet | 235    |
| Gross Parking Square Feet (1)            | 92,999 |

**OPERATING ASSUMPTIONS**

|                                    |         |
|------------------------------------|---------|
| Market Rate Units                  |         |
| Average Monthly Rental Rate        | \$2,513 |
| Yearly Occupancy                   | 95.0%   |
| Below Market Rate Units            |         |
| Average Monthly Rental Rate        | \$1,141 |
| Yearly Occupancy                   | 98.0%   |
| Average Monthly Parking Rate       | \$200   |
| Annual Operating Expenses per Unit | \$8,000 |

**VALUATION ASSUMPTIONS**

|                                |       |
|--------------------------------|-------|
| Stabilized Capitalization Rate | 6.5%  |
| Return on Cost                 | 8.50% |
| Transaction Costs              | 1.0%  |

**DEBT AND EQUITY FINANCING PARAMETERS**

|                                               |              |                                               |              |
|-----------------------------------------------|--------------|-----------------------------------------------|--------------|
| Construction Period (years)                   | 2.0          | Total Equity                                  | \$32,001,175 |
| Loan To Cost (% of Total and Indirect Costs)  | 75%          | Total Equity as a Percent of Total Dev. Costs | 25.0%        |
| Loan Amount (Plus Points)                     | \$96,003,524 | Interest Carry                                | 0.00%        |
| Drawdown Factor (Average Outstanding Balance) | 65%          |                                               |              |
| Interest Rate                                 | 6.50%        |                                               |              |
| Finance Fees/Loan Points                      | 1.0%         |                                               |              |

Notes:

(1) Parking area is reduced by 0% due to the use of lifts and valet service.

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-16**  
**UNIT ASSUMPTIONS**  
**HIGH-RISE APARTMENTS (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

**GENERAL ASSUMPTIONS**

|                                         |  |     |
|-----------------------------------------|--|-----|
| <b>Market Rate Units</b>                |  |     |
| Total Market Rate Units                 |  | 347 |
| Percent of Total Units                  |  | 88% |
| Stabilized Vacancy/Collection Loss Rate |  | 5%  |
| Percent of Units Preleased              |  | 15% |
| Absorption Rate (units per month)       |  | 25  |
| Months to Stabilized Occupancy          |  | 12  |
| <b>Below Market Rate Units</b>          |  |     |
| Total Units                             |  | 48  |
| Percent of Total Units                  |  | 12% |
| Stabilized Vacancy/Collection Loss Rate |  | 2%  |
| Percent of Annual Median Income         |  | 60% |

**MARKET-RATE UNIT BREAKDOWN**

| Unit Mix                        | #   | Percent | Mo. Rent<br>(2004 \$s) | Size<br>(Sq.Ft.) | Rent<br>Per Sq.Ft. |
|---------------------------------|-----|---------|------------------------|------------------|--------------------|
| Studio/Jr. One-Bedroom/One-Bath | 35  | 10%     | \$1,700                | 500              | \$3.40             |
| One Bedroom/One-Bath            | 121 | 35%     | 2,150                  | 650              | \$3.31             |
| Two Bedroom/Two-Bath            | 156 | 45%     | 2,800                  | 950              | \$2.95             |
| Three Bedroom/Two-Bath          | 35  | 10%     | 3,300                  | 1,200            | \$2.75             |
| Total / Weighted Average        | 347 | 100%    | \$2,513                | 825              | \$3.05             |

**BELOW MARKET RATE UNIT BREAKDOWN**

| Unit Mix                        | #  | Percent | Mo. Rent<br>(2004 \$s) | Size<br>(Sq.Ft.) | Rent<br>Per Sq.Ft. |
|---------------------------------|----|---------|------------------------|------------------|--------------------|
| Studio/Jr. One-Bedroom/One-Bath | 5  | 10%     | \$952                  | 500              | \$1.90             |
| One Bedroom/One-Bath            | 17 | 35%     | 1,082                  | 650              | 1.66               |
| Two Bedroom/Two-Bath            | 21 | 45%     | 1,193                  | 950              | 1.26               |
| Three Bedroom/Two-Bath          | 5  | 10%     | 1,306                  | 1,200            | 1.09               |
| Total / Weighted Average        | 48 | 100%    | \$1,141                | 825              | \$1.38             |

**EXPENSE ASSUMPTIONS**

|                                      |         |
|--------------------------------------|---------|
| Per Unit Operating Expenses per year | \$8,000 |
| Property Taxes                       | \$0     |

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.  
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**EXHIBIT D-17**  
**DEVELOPMENT COSTS (EXCLUDING LAND)<sup>1</sup>**  
**HIGH-RISE APARTMENTS (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                                                     | Factor          |                  | Total                | Notes                                                |
|-----------------------------------------------------|-----------------|------------------|----------------------|------------------------------------------------------|
|                                                     | \$/Gross SF     | \$/Unit          |                      |                                                      |
| <b>Direct Development Costs</b>                     |                 |                  |                      |                                                      |
| Residential Construction and Site Improvement Costs | \$202.86        | 213,975          | \$84,520,000         | (\$202.86 Per Residential Gross Sq. Ft.)             |
| Parking Construction                                | 25.12           | 26,501           | 10,468,000           | (\$26,501 Per Space)                                 |
| Hard Cost Contingency                               | 6.84            | 7,214            | 2,849,640            | (3.0% of Residential and Parking Construction Costs) |
| <b>Total Direct Development Costs</b>               | <b>\$234.82</b> | <b>\$247,690</b> | <b>\$97,837,640</b>  |                                                      |
| <b>Indirect Development Costs</b>                   |                 |                  |                      |                                                      |
| Architecture and Engineering Fees                   | \$11.74         | \$12,385         | \$4,891,882          | (5.0% of Total Direct Development Costs)             |
| Planning and Entitlement                            | 1.17            | 1,238            | 489,188              | (0.5% of Total Direct Development Costs)             |
| Legal and Other Fees                                | 1.17            | 1,238            | 489,188              | (0.5% of Total Direct Costs)                         |
| School Impact Fees                                  | 1.35            | 1,419            | 560,505              | (\$1.72 Per Net Square Foot)                         |
| Building Permit Fees                                | 2.35            | 2,477            | 978,376              | (1.0% of Total Direct Development Costs)             |
| Insurance                                           | 1.14            | 1,200            | 474,000              | (\$1,200 Per Unit)                                   |
| Marketing Costs                                     | 2.35            | 2,475            | 977,625              | (\$3.00 Per Net Sq. Ft.)                             |
| Developer Assessment Fee                            | 0.00            | 0                | 0                    | (\$0.00 Per Net Sq. Ft.)                             |
| Developer Fee/Overhead                              | 11.74           | 12,385           | 4,891,882            | (5.0% of Total Direct Development Costs)             |
| Property Taxes During Construction                  | 3.85            | 4,066            | 1,605,896            | (1.11 percent of Dev. Costs)                         |
| Finance Fees/Loan Points                            | 2.30            | 2,430            | 960,035              | (1.0 percent of Total Loan Amount)                   |
| Construction Loan Interest During Construction      | 21.27           | 22,433           | 8,861,057            |                                                      |
| Interest Carry of Developer Equity                  | 0.00            | 0                | 0                    |                                                      |
| Net Operating Income Loss During Lease Up           | 9.86            | 10,402           | 4,108,772            |                                                      |
| Soft Cost Contingency                               | 2.11            | 2,224            | 878,652              | (3.0% of Total Soft Costs)                           |
| <b>Total Soft Costs</b>                             | <b>\$72.40</b>  | <b>\$76,372</b>  | <b>\$30,167,059</b>  |                                                      |
| <b>Total Development Costs</b>                      | <b>\$307.23</b> | <b>\$324,063</b> | <b>\$128,004,699</b> |                                                      |

Notes:

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-18**  
**STABILIZED OPERATING PRO FORMA AND LAND RESIDUAL ANALYSIS**  
**HIGH-RISE APARTMENTS (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

**Stabilized Operating Statement**

|                                                    |              |
|----------------------------------------------------|--------------|
| Weighted Average Monthly Rental Rate               | \$2,348      |
| Total Apartment Units                              | 395          |
| Average Monthly Parking Rate                       | \$200        |
| Total Parking Spaces                               | 395          |
| Weighted Average Stabilized Occupancy Rate         | 95.4%        |
| Yearly Gross Income                                | \$11,518,241 |
| Less: Annual Operating Expenses (\$8,000 per unit) | (3,160,000)  |
| Less: Valet Service                                | 0            |
| Yearly Net Operating Income                        | \$8,358,241  |

**Residual Land Value**

|                                                    |                |
|----------------------------------------------------|----------------|
| Warranted Investment (8.5 percent Return on Cost)  | \$98,332,246   |
| Less: Total Development Costs (Excluding Land)     | (128,004,699)  |
| Residual Land Value                                | (\$29,672,453) |
| Residual Land Value per Building Gross Square Foot | (\$71.22)      |
| Residual Land Value per Unit                       | (\$75,120)     |

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-19**  
**GENERAL ASSUMPTIONS**  
**MIDRISE FOR SALE (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

| SITE AND BUILDING PARAMETERS    |         |
|---------------------------------|---------|
| Site Parameters                 |         |
| Site Size (Acres)               | 0.4     |
| Site Size (Square Feet)         | 18,500  |
| Building Parameters             |         |
| Gross Building Square Feet      | 115,920 |
| Efficiency Factor               | 78%     |
| Net Residential Square Feet     | 90,318  |
| Number of Condominiums          | 91      |
| Average Unit Size - Square Feet | 993     |

| PARKING PARAMETERS                       |        |
|------------------------------------------|--------|
| Parking Spaces per Condominium           | 1.0    |
| Total Parking Spaces                     | 91     |
| Average Parking Space Size - Square Feet | 308    |
| Gross Parking Square Feet (1)            | 28,000 |

| DEBT FINANCING PARAMETERS                     |              |                                               |             |
|-----------------------------------------------|--------------|-----------------------------------------------|-------------|
| Construction Period (years)                   | 1.5          | Total Equity                                  | \$9,385,085 |
| Loan To Cost (% of Total and Indirect Costs)  | 75%          | Total Equity as a Percent of Total Dev. Costs | 25.0%       |
| Loan Amount (Plus Points)                     | \$28,155,254 | Interest Carry                                | 0.0%        |
| Drawdown Factor (Average Outstanding Balance) | 65%          |                                               |             |
| Interest Rate                                 | 6.50%        |                                               |             |
| Finance Fees/Loan Points                      | 1.0%         |                                               |             |

| OPERATING ASSUMPTIONS        |           |
|------------------------------|-----------|
| Market-Rate Units            |           |
| Average Sales Price          | \$596,606 |
| Absorption (Units per Month) | 8         |
| Below Market-Rate Units      |           |
| Average Sales Price          | \$245,575 |
| Absorption (Units per Month) | 11        |
| Marketing                    | 0.0%      |

| VALUATION ASSUMPTIONS |       |
|-----------------------|-------|
| Gross Margin          | 20.0% |

Notes:

(1) Parking area is reduced by 0% due to the use of lifts and valet service.

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-20**  
**UNIT ASSUMPTIONS**  
**MIDRISE FOR SALE (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

**GENERAL ASSUMPTIONS**

|                                   |          |
|-----------------------------------|----------|
| Construction Start Date           | 01/01/04 |
| Sales Start Date                  | 07/01/05 |
| Total Market Rate Units           | 80       |
| Percent of Total For-sale Units   | 88%      |
| Absorption Rate (units per month) | 8        |
| Months to Stabilized Occupancy    | 10.0     |
| Total Affordable Units            | 11       |
| Percent of Total For-sale Units   | 12%      |
| Absorption Rate (units per month) | 11       |
| Months to Stabilized Occupancy    | 1.0      |

**UNIT BREAKDOWN**

| <b>Market Rate Unit Mix</b>     | <b>#</b> | <b>Percent</b> | <b>Price<br/>(2004 \$s)</b> | <b>Size<br/>(Sq.Ft.)</b> | <b>Price<br/>Per Sq.Ft.</b> |
|---------------------------------|----------|----------------|-----------------------------|--------------------------|-----------------------------|
| Studio/Jr. One-Bedroom/One-Bath | 8        | 10%            | \$341,606                   | 550                      | \$621                       |
| One Bedroom/One-Bath            | 28       | 35%            | 516,606                     | 800                      | 646                         |
| Two Bedroom/Two-Bath            | 36       | 45%            | 666,606                     | 1,150                    | 580                         |
| Three Bedroom/Two-Bath          | 8        | 10%            | 816,606                     | 1,400                    | 583                         |
| Total / Weighted Average        | 80       | 100%           | \$596,606                   | 993                      | \$601                       |

| <b>Affordable Unit Mix</b>      | <b>#</b> | <b>Percent</b> | <b>Price<br/>(2004 \$s)</b> | <b>Size<br/>(Sq.Ft.)</b> | <b>Price<br/>Per Sq.Ft.</b> |
|---------------------------------|----------|----------------|-----------------------------|--------------------------|-----------------------------|
| Studio/Jr. One-Bedroom/One-Bath | 1        | 10%            | \$181,563                   | 550                      | \$330                       |
| One Bedroom/One-Bath            | 4        | 35%            | 222,861                     | 800                      | 279                         |
| Two Bedroom/Two-Bath            | 5        | 45%            | 264,159                     | 1,150                    | 230                         |
| Three Bedroom/Two-Bath          | 1        | 10%            | 305,457                     | 1,400                    | 218                         |
| Total / Weighted Average        | 11       | 100%           | \$245,575                   | 993                      | \$247                       |

Annual Growth in For-Sales Prices 3.0%

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.



**EXHIBIT D-21**  
**DEVELOPMENT COSTS (EXCLUDING LAND)<sup>1</sup>**  
**MIDRISE FOR SALE (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                                                             | Factor      |           |              |                                                      |
|-------------------------------------------------------------|-------------|-----------|--------------|------------------------------------------------------|
|                                                             | \$/Gross SF | \$/Unit   | Total        | Notes                                                |
| Direct Costs                                                |             |           |              |                                                      |
| Residential Construction and Site Improvement Costs         | \$195.22    | \$248,681 | \$22,630,000 | (\$195.22 Per Residential Gross Sq. Ft.)             |
| Parking Construction Costs                                  | 23.67       | 30,154    | 2,744,000    | (\$30,154 Per Space)                                 |
| Hard Cost Contingency                                       | 6.57        | 8,365     | 761,220      | (3.0% of Residential and Parking Construction Costs) |
| Total Direct Development Costs                              | \$225.46    | \$287,200 | \$26,135,220 |                                                      |
| Indirect Development Costs                                  |             |           |              |                                                      |
| Architecture and Engineering Fees                           | \$11.27     | \$14,360  | \$1,306,761  | (5.0% of Total Direct Development Costs)             |
| Planning and Entitlement                                    | 1.13        | 1,436     | 130,676      | (0.5% of Total Direct Development Costs)             |
| Legal and Other Fees                                        | 1.13        | 1,436     | 130,676      | (0.5% of Total Direct Development Costs)             |
| School Impact Fees                                          | 1.34        | 1,707     | 155,346      | (\$1.72 Per Net Square Foot)                         |
| Building Permit Fees                                        | 2.25        | 2,872     | 261,352      | (1.0% of Total Direct Costs)                         |
| Insurance                                                   | 11.78       | 15,000    | 1,365,000    | (\$15,000 Per Unit)                                  |
| Marketing Costs                                             | 4.12        | 5,245     | 477,285      | (1.0% of Static Costs)                               |
| Developer Assessment Fee                                    | 0.00        | 0         | 0            | (\$0.00 Per Net Sq. Ft.)                             |
| Developer Fee/Overhead                                      | 11.27       | 14,360    | 1,306,761    | (5.0% of Total Direct Development Costs)             |
| Property Taxes During Construction                          | 2.91        | 3,709     | 337,495      |                                                      |
| Finance Fees/Loan Points (1.0 percent of Total Loan Amount) | 2.43        | 3,094     | 281,553      |                                                      |
| Construction Loan Interest                                  | 16.43       | 20,935    | 1,905,073    |                                                      |
| Construction Loan Interest During Sellout                   | 4.84        | 6,164     | 560,957      |                                                      |
| Interest Carry of Developer Equity                          | 0.00        | 0         | 0            |                                                      |
| HOA Dues During Sellout                                     | 2.35        | 2,989     | 272,000      |                                                      |
| Property Taxes During Sellout                               | 1.39        | 1,775     | 161,548      |                                                      |
| Sales and Commissions                                       | 21.76       | 27,724    | 2,522,896    |                                                      |
| Soft Cost Contingency                                       | 1.98        | 2,525     | 229,739      | (3.0% of Select Soft Costs)                          |
| Total Soft Costs                                            | \$98.39     | \$125,331 | \$11,405,118 |                                                      |
| Total Development Costs                                     | \$323.85    | \$412,531 | \$37,540,338 |                                                      |

Notes:

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-22**  
**PROJECT PROFORMA**  
**MIDRISE FOR SALE (PROPOSED ZONING)**  
**RIVINGTON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

| Quarter Ending                               | Mar-04               | Jun-04               | Sep-04               | Dec-04               | Mar-05               | Jun-05               | Sep-05              | Dec-05              | Mar-06              | Jun-06             | Sep-06     | Dec-06     | Mar-07     | Jun-07     | Sep-07     | Dec-07     | Mar-08     | Jun-08       | Sep-08       | Dec-08       | Mar-09       | Jun-09     | Sep-09     | Dec-09     | Mar-10     | Total               |
|----------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|--------------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|---------------------|
| <b>Market Rate Units</b>                     |                      |                      |                      |                      |                      |                      |                     |                     |                     |                    |            |            |            |            |            |            |            |              |              |              |              |            |            |            |            |                     |
| Units Absorbed                               | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 24.0                | 24.0                | 24.0                | 8.0                | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0          | 0.0          | 0.0          | 0.0          | 0.0        | 0.0        | 0.0        | 0.0        | \$0                 |
| Cumulative Absorption                        | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 24.0                | 48.0                | 72.0                | 80.0               | 80.0       | 80.0       | 80.0       | 80.0       | 80.0       | 80.0       | 80.0       | 80.0         | 80.0         | 80.0         | 80.0         | 80.0       | 80.0       | 80.0       | 80.0       | \$0.0               |
| Weighted Average Sales Price                 | \$590,006            | \$601,061            | \$605,589            | \$610,131            | \$614,707            | \$619,317            | \$623,963           | \$628,642           | \$633,357           | \$638,107          | \$642,893  | \$647,714  | \$652,572  | \$657,466  | \$662,397  | \$667,365  | \$672,371  | \$677,413    | \$682,494    | \$687,613    | \$692,770    | \$697,966  | \$703,200  | \$708,474  | \$713,788  | \$50,367,909        |
| Sub-Total Net Revenues                       | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$14,975,091        | \$15,087,404        | \$15,200,559        | \$5,104,855        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$0                 |
| Less: Marketing and Commission (at 0.0%)     | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                   | 0                   | 0                   | 0                  | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0            | 0            | 0            | 0            | 0          | 0          | 0          | 0          | 0                   |
| Net Revenues                                 | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$14,975,091        | \$15,087,404        | \$15,200,559        | \$5,104,855        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$50,367,909        |
| <b>Below Market Rate Units</b>               |                      |                      |                      |                      |                      |                      |                     |                     |                     |                    |            |            |            |            |            |            |            |              |              |              |              |            |            |            |            |                     |
| Units Absorbed                               | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 11.0                | 0.0                 | 0.0                 | 0.0                | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0          | 0.0          | 0.0          | 0.0          | 0.0        | 0.0        | 0.0        | 0.0        | 11                  |
| Cumulative Absorption                        | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 11.0                | 11.0                | 11.0                | 11.0               | 11.0       | 11.0       | 11.0       | 11.0       | 11.0       | 11.0       | 11.0       | 11.0         | 11.0         | 11.0         | 11.0         | 11.0       | 11.0       | 11.0       | 11.0       | 11.0                |
| Weighted Average Sales Price                 | \$945,575            | \$247,417            | \$249,273            | \$251,142            | \$253,026            | \$254,923            | \$256,835           | \$258,762           | \$260,702           | \$262,658          | \$264,627  | \$266,612  | \$268,612  | \$270,626  | \$272,656  | \$274,701  | \$276,761  | \$278,837    | \$280,928    | \$283,035    | \$285,158    | \$287,297  | \$289,451  | \$291,622  | \$293,809  | \$2,825,188         |
| Sub-Total Net Revenues                       | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$2,825,188         | \$0                 | \$0                 | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$2,825,188         |
| Less: Marketing and Commission (at 0.0%)     | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                   | 0                   | 0                   | 0                  | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0            | 0            | 0            | 0            | 0          | 0          | 0          | 0          | 0                   |
| Net Revenues                                 | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$2,825,188         | \$0                 | \$0                 | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$2,825,188         |
| <b>Total Net Revenues</b>                    | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$17,800,279        | \$15,087,404        | \$15,200,559        | \$5,104,855        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$53,193,097        |
| <b>Development Costs</b>                     |                      |                      |                      |                      |                      |                      |                     |                     |                     |                    |            |            |            |            |            |            |            |              |              |              |              |            |            |            |            |                     |
| Land Cost                                    | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                 | \$0                 | \$0                 | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$0                 |
| Direct Construction Costs                    | 4,355,970            | 4,355,970            | 4,355,970            | 4,355,970            | 4,355,970            | 4,355,970            | 0                   | 0                   | 0                   | 0                  | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0            | 0            | 0            | 0            | 0          | 0          | 0          | 0          | 26,135,230          |
| Indirect Construction Costs                  | 1,359,953            | 1,359,953            | 1,359,953            | 1,359,953            | 1,359,953            | 1,359,953            | 0                   | 0                   | 0                   | 0                  | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0            | 0            | 0            | 0            | 0          | 0          | 0          | 0          | 8,159,718           |
| Construction Loans Interest During Buildout  | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                   | 417,970             | 142,987             | (0)                | (0)        | (0)        | (0)        | (0)        | (0)        | (0)        | (0)        | (0)          | (0)          | (0)          | (0)          | (0)        | (0)        | (0)        | (0)        | 560,997             |
| Property Taxes During Buildout               | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    | 0                   | 0                   | 0                   | 0                  | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0            | 0            | 0            | 0            | 0          | 0          | 0          | 0          | 161,548             |
| Total Development Cost                       | \$5,715,923          | \$5,715,923          | \$5,715,923          | \$5,715,923          | \$5,715,923          | \$5,715,923          | \$501,983           | \$193,221           | \$22,334            | \$4,567            | (\$0)      | (\$0)      | (\$0)      | (\$0)      | (\$0)      | (\$0)      | (\$0)      | (\$0)        | (\$0)        | (\$0)        | \$0          | \$0        | \$0        | \$0        | \$0        | \$35,017,442        |
| <b>Total Cash Flow</b>                       | <b>(\$5,715,923)</b> | <b>(\$5,715,923)</b> | <b>(\$5,715,923)</b> | <b>(\$5,715,923)</b> | <b>(\$5,715,923)</b> | <b>(\$5,715,923)</b> | <b>\$17,298,296</b> | <b>\$14,894,183</b> | <b>\$15,177,726</b> | <b>\$5,100,288</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>(\$0)</b> | <b>(\$0)</b> | <b>(\$0)</b> | <b>(\$0)</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$18,175,654</b> |
| <b>Financing Summary</b>                     |                      |                      |                      |                      |                      |                      |                     |                     |                     |                    |            |            |            |            |            |            |            |              |              |              |              |            |            |            |            |                     |
| Development and Construction Loans Drawn     | \$4,286,867          | \$4,286,867          | \$4,286,867          | \$4,286,867          | \$4,286,867          | \$4,286,867          | \$796,412           | \$1,644,916         | \$1,7125            | \$3,425            | (\$0)      | (\$0)      | (\$0)      | (\$0)      | (\$0)      | (\$0)      | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$26,263,082        |
| Development and Construction Loans Repaid    | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                 | \$0                 | \$0                 | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$0                 |
| Development and Construction Loans Balance   | \$4,286,867          | \$0,713,734          | \$1,286,002          | \$17,147,409         | \$21,434,336         | \$23,721,203         | \$1,799,230         | \$0                 | \$0                 | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$0                 |
| Interest During Buildout                     | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                 | \$417,970           | \$142,987           | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$0                 |
| Property Taxes During Buildout               | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                 | \$0                 | \$0                 | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$0                 |
| Beginning Equity                             | \$0                  | \$1,428,956          | \$2,857,911          | \$4,286,867          | \$5,715,823          | \$7,144,779          | \$8,573,734         | \$8,999,205         | \$2,797,464         | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$0                 |
| Additions to Equity                          | \$1,428,956          | \$1,428,956          | \$1,428,956          | \$1,428,956          | \$1,428,956          | \$1,428,956          | \$1,254,71          | \$4,305             | \$3,708             | \$1,142            | (\$0)      | (\$0)      | (\$0)      | (\$0)      | (\$0)      | (\$0)      | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$3,754,261         |
| Paydowns of Equity                           | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                 | \$0                 | \$0                 | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$0                 |
| Equity After Paydowns                        | \$1,428,956          | \$2,857,911          | \$4,286,867          | \$5,715,823          | \$7,144,779          | \$8,573,734          | \$8,999,205         | \$2,797,464         | \$0                 | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$0                 |
| Construction Equity Requirements             | \$1,428,956          | \$2,857,911          | \$4,286,867          | \$5,715,823          | \$7,144,779          | \$8,573,734          | \$8,999,205         | \$2,797,464         | \$0                 | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$0                 |
| Interest Credit of Developer Equity          | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                 | \$0                 | \$0                 | \$0                | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0          | \$0          | \$0          | \$0          | \$0        | \$0        | \$0        | \$0        | \$0                 |
| Percent of Units Remaining at end of quarter | 100.0%               | 100.0%               | 100.0%               | 100.0%               | 100.0%               | 100.0%               | 61.5%               | 35.2%               | 8.8%                | 0.0%               | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%                |

Source: Proforma Comparison, Webster, Mass Planning Department, and Investor Group.  
 1. Based on proforma buildout development/2007/0001/02 SPUR Model/01001022, Revised Model, 03 and Agreement Land Provided.



**EXHIBIT D-23**  
**STABILIZED OPERATING PRO FORMA AND LAND RESIDUAL ANALYSIS**  
**MIDRISE FOR SALE (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                                                      |                |
|------------------------------------------------------|----------------|
| Weighted Average Sales Price                         | \$554,483      |
| Total Number of Condominiums                         | 91             |
| Gross Sales Proceeds                                 | \$50,457,919   |
| Less: Marketing Expenses (0 percent of Gross Income) | 0              |
| Net Sales Proceeds                                   | \$50,457,919   |
| Threshold Gross Profit Margin                        | 20.0%          |
| Amount Available for Development Costs and Land      | \$42,048,266   |
| Less: Total Development Costs (Excluding Land)       | (\$37,540,338) |
| Residual Land Value                                  | \$4,507,928    |
| Residual Land Value per Building Gross Square Foot   | \$38.89        |
| Residual Land Value per Unit                         | \$49,538       |

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.  
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**EXHIBIT D-24**  
**GENERAL ASSUMPTIONS**  
**HIGH-RISE FOR SALE (EXISTING ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

| SITE AND BUILDING PARAMETERS    |         |
|---------------------------------|---------|
| Site Parameters                 |         |
| Site Size (Acres)               | 0.4     |
| Site Size (Square Feet)         | 18,500  |
| Building Parameters             |         |
| Gross Building Square Feet      | 230,759 |
| Efficiency Factor               | 78%     |
| Net Residential Square Feet     | 180,635 |
| Number of Condominiums          | 182     |
| Average Unit Size - Square Feet | 993     |

| PARKING PARAMETERS                       |        |
|------------------------------------------|--------|
| Parking Spaces per Condominium           | 1.0    |
| Total Parking Spaces                     | 182    |
| Average Parking Space Size - Square Feet | 456    |
| Gross Parking Square Feet (1)            | 82,999 |

| OPERATING ASSUMPTIONS        |           |
|------------------------------|-----------|
| Market-Rate Units            |           |
| Average Sales Price          | \$680,000 |
| Absorption (Units per Month) | 8         |
| Below Market-Rate Units      |           |
| Average Sales Price          | \$274,059 |
| Absorption (Units per Month) | 22        |
| Marketing                    | 0.0%      |

| VALUATION ASSUMPTIONS |       |
|-----------------------|-------|
| Gross Margin          | 25.0% |

| DEBT FINANCING PARAMETERS                     |              |                                               |              |
|-----------------------------------------------|--------------|-----------------------------------------------|--------------|
| Construction Period (years)                   | 2.0          | Total Equity                                  | \$19,993,634 |
| Loan To Cost (% of Total and Indirect Costs)  | 75%          | Total Equity as a Percent of Total Dev. Costs | 25.0%        |
| Loan Amount (Plus Points)                     | \$59,980,903 | Interest Carry                                | 0.0%         |
| Drawdown Factor (Average Outstanding Balance) | 65%          |                                               |              |
| Interest Rate                                 | 6.50%        |                                               |              |
| Finance Fees/Loan Points                      | 1.0%         |                                               |              |

Notes:

(1) Parking area is reduced by 0% due to the use of lifts and valet service.

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-25**  
**UNIT ASSUMPTIONS**  
**HIGH-RISE FOR SALE (EXISTING ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

**GENERAL ASSUMPTIONS**

|                                   |          |
|-----------------------------------|----------|
| Construction Start Date           | 01/01/04 |
| Sales Start Date                  | 12/31/05 |
| Total Market Rate Units           | 160      |
| Percent of Total For-sale Units   | 88%      |
| Absorption Rate (units per month) | 8        |
| Months to Stabilized Occupancy    | 20.0     |
| Total Affordable Units            | 22       |
| Percent of Total For-sale Units   | 12%      |
| Absorption Rate (units per month) | 22       |
| Months to Stabilized Occupancy    | 1.0      |

**UNIT BREAKDOWN**

| <b>Market Rate Unit Mix</b>     | <b>#</b> | <b>Percent</b> | <b>Price<br/>(2004 \$s)</b> | <b>Size<br/>(Sq.Ft.)</b> | <b>Price<br/>Per Sq.Ft.</b> |
|---------------------------------|----------|----------------|-----------------------------|--------------------------|-----------------------------|
| Studio/Jr. One-Bedroom/One-Bath | 16       | 10%            | \$425,000                   | 550                      | \$773                       |
| One Bedroom/One-Bath            | 56       | 35%            | 600,000                     | 800                      | 750                         |
| Two Bedroom/Two-Bath            | 72       | 45%            | 750,000                     | 1,150                    | 652                         |
| Three Bedroom/Two-Bath          | 16       | 10%            | 900,000                     | 1,400                    | 643                         |
| Total / Weighted Average        | 160      | 100%           | \$680,000                   | 993                      | \$685                       |

| <b>Affordable Unit Mix</b>      | <b>#</b> | <b>Percent</b> | <b>Price<br/>(2004 \$s)</b> | <b>Size<br/>(Sq.Ft.)</b> | <b>Price<br/>Per Sq.Ft.</b> |
|---------------------------------|----------|----------------|-----------------------------|--------------------------|-----------------------------|
| Studio/Jr. One-Bedroom/One-Bath | 2        | 10%            | \$210,047                   | 550                      | \$382                       |
| One Bedroom/One-Bath            | 8        | 35%            | 251,345                     | 800                      | 314                         |
| Two Bedroom/Two-Bath            | 10       | 45%            | 292,644                     | 1,150                    | 254                         |
| Three Bedroom/Two-Bath          | 2        | 10%            | 333,942                     | 1,400                    | 239                         |
| Total / Weighted Average        | 22       | 100%           | \$274,059                   | 993                      | \$276                       |

Annual Growth in For-Sales Prices 3.0%

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

**EXHIBIT D-26**  
**DEVELOPMENT COSTS (EXCLUDING LAND)<sup>1</sup>**  
**HIGH-RISE FOR SALE (EXISTING ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                                                             | Factor          |                  | Total               | Notes                                                |
|-------------------------------------------------------------|-----------------|------------------|---------------------|------------------------------------------------------|
|                                                             | \$/Gross SF     | \$/Unit          |                     |                                                      |
| <b>Direct Costs</b>                                         |                 |                  |                     |                                                      |
| Residential Construction and Site Improvement Costs         | \$188.28        | \$238,719        | \$43,446,861        | (\$188.28 Per Residential Gross Sq. Ft.)             |
| Parking Construction Costs                                  | 34.88           | 44,222           | 8,048,344           | (\$44,222 Per Space)                                 |
| Hard Cost Contingency                                       | 6.69            | 8,488            | 1,544,856           | (3.0% of Residential and Parking Construction Costs) |
| <b>Total Direct Development Costs</b>                       | <b>\$229.85</b> | <b>\$291,429</b> | <b>\$53,040,061</b> |                                                      |
| <b>Indirect Development Costs</b>                           |                 |                  |                     |                                                      |
| Architecture and Engineering Fees                           | \$11.49         | \$14,571         | \$2,652,003         | (5.0% of Total Direct Development Costs)             |
| Planning and Entitlement                                    | 1.15            | 1,457            | 265,200             | (0.5% of Total Direct Development Costs)             |
| Legal and Other Fees                                        | 1.15            | 1,457            | 265,200             | (0.5% of Total Direct Development Costs)             |
| School Impact Fees                                          | 1.35            | 1,707            | 310,693             | (\$1.72 Per Net Square Foot)                         |
| Building Permit Fees                                        | 2.30            | 2,914            | 530,401             | (1.0% of Total Direct Costs)                         |
| Insurance                                                   | 11.83           | 15,000           | 2,730,000           | (\$15,000 Per Unit)                                  |
| Marketing Costs                                             | 4.71            | 5,978            | 1,088,000           | (1.0% of Static Costs)                               |
| Developer Assessment Fee                                    | 0.00            | 0                | 0                   | (\$0.00 Per Net Sq. Ft.)                             |
| Developer Fee/Overhead                                      | 11.49           | 14,571           | 2,652,003           | (5.0% of Total Direct Development Costs)             |
| Property Taxes During Construction                          | 3.96            | 5,024            | 914,311             |                                                      |
| Finance Fees/Loan Points (1.0 percent of Total Loan Amount) | 2.60            | 3,296            | 599,809             |                                                      |
| Construction Loan Interest                                  | 23.99           | 30,419           | 5,536,195           |                                                      |
| Construction Loan Interest During Sellout                   | 7.17            | 9,090            | 1,654,429           |                                                      |
| Interest Carry of Developer Equity                          | 0.00            | 0                | 0                   |                                                      |
| HOA Dues During Sellout                                     | 3.47            | 4,396            | 800,000             |                                                      |
| Property Taxes During Sellout                               | 2.88            | 3,655            | 665,205             |                                                      |
| Sales and Commissions                                       | 24.89           | 31,564           | 5,744,713           |                                                      |
| Soft Cost Contingency                                       | 2.28            | 2,892            | 526,314             | (3.0% of Select Soft Costs)                          |
| <b>Total Soft Costs</b>                                     | <b>\$116.72</b> | <b>\$147,992</b> | <b>\$26,934,476</b> |                                                      |
| <b>Total Development Costs</b>                              | <b>\$346.57</b> | <b>\$439,421</b> | <b>\$79,974,537</b> |                                                      |

Notes:

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-27  
PROJECT PROFORMA  
HIGH-RISE FOR SALE (EXISTING ZONING)  
RYCON HILL FINANCIAL FEASIBILITY ANALYSIS  
MAY 2004**

| Quarter Ending                               | Mar-04        | Jun-04        | Sep-04        | Dec-04        | Mar-05        | Jun-05        | Sep-05        | Dec-05        | 31-Mar-06    | 30-Jun-06    | 30-Sep-06    | 31-Dec-06    | 31-Mar-07    | 30-Jun-07    | 30-Sep-07    | 31-Dec-07   | 31-Mar-08   | 30-Jun-08   | 30-Sep-08   | 31-Dec-08   | 31-Mar-09   | 30-Jun-09   | 30-Sep-09   | 31-Dec-09   | 31-Mar-10   | Total         |               |
|----------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|
| Market Rate Units                            |               |               |               |               |               |               |               |               |              |              |              |              |              |              |              |             |             |             |             |             |             |             |             |             |             |               |               |
| Units Absorbed                               | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 24.0         | 24.0         | 24.0         | 24.0         | 24.0         | 24.0         | 16.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 160           |               |
| Cumulative Absorption                        | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 24.0         | 48.0         | 72.0         | 96.0         | 120.0        | 144.0        | 160.0        | 160.0       | 160.0       | 160.0       | 160.0       | 160.0       | 160.0       | 160.0       | 160.0       | 160.0       | 160.0       | 160           |               |
| Weighted Average Sales Price                 | \$680,000     | \$685,100     | \$690,233     | \$695,415     | \$700,631     | \$705,885     | \$711,180     | \$716,513     | \$721,837    | \$727,301    | \$732,756    | \$738,252    | \$743,739    | \$749,367    | \$754,987    | \$760,650   | \$766,355   | \$772,102   | \$777,893   | \$783,727   | \$789,605   | \$795,527   | \$801,494   | \$807,505   | \$813,561   | \$819,617     |               |
| Sub-Total Net Revenues                       | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$17,325,293 | \$17,455,233 | \$17,586,147 | \$17,718,043 | \$17,850,929 | \$17,984,811 | \$18,109,798 | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$118,000,253 |               |
| Less: Marketing and Commission (at 0.0 %)    | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Net Revenues                                 | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$17,325,293 | \$17,455,233 | \$17,586,147 | \$17,718,043 | \$17,850,929 | \$17,984,811 | \$18,109,798 | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           | \$118,000,253 |
| Below Market Rate Units                      |               |               |               |               |               |               |               |               |              |              |              |              |              |              |              |             |             |             |             |             |             |             |             |             |             |               |               |
| Units Absorbed                               | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 22.0         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 22            |               |
| Cumulative Absorption                        | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 22.0         | 22.0         | 22.0         | 22.0         | 22.0         | 22.0         | 22.0         | 22.0        | 22.0        | 22.0        | 22.0        | 22.0        | 22.0        | 22.0        | 22.0        | 22.0        | 22.0        | 22            |               |
| Weighted Average Sales Price                 | \$274,659     | \$276,115     | \$278,186     | \$280,272     | \$282,374     | \$284,493     | \$286,626     | \$288,775     | \$290,941    | \$293,123    | \$295,322    | \$297,537    | \$299,768    | \$302,016    | \$304,281    | \$306,564   | \$308,863   | \$311,179   | \$313,513   | \$315,864   | \$318,233   | \$320,620   | \$323,025   | \$325,448   | \$327,888   | \$330,331     |               |
| Sub-Total Net Revenues                       | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$6,000,708  | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$6,400,708   |               |
| Less: Marketing and Commission (at 0.0 %)    | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Net Revenues                                 | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$6,000,708  | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           | \$6,400,708   |
| Total Net Revenues                           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$23,325,999 | \$17,455,233 | \$17,586,147 | \$17,718,043 | \$17,850,929 | \$17,984,811 | \$18,109,798 | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           | \$124,400,959 |
| Development Costs                            |               |               |               |               |               |               |               |               |              |              |              |              |              |              |              |             |             |             |             |             |             |             |             |             |             |               |               |
| Land Cost                                    | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Direct Construction Costs                    | 6,630,000     | 6,630,000     | 6,630,000     | 6,630,000     | 6,630,000     | 6,630,000     | 6,630,000     | 6,630,000     | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Indirect Construction Costs                  | 2,358,766     | 2,358,766     | 2,358,766     | 2,358,766     | 2,358,766     | 2,358,766     | 2,358,766     | 2,358,766     | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Construction Loans Interest During Setback   | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$76,405     | \$21,279     | \$26,744     | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$1,854,429   |               |
| Property Taxes During Setback                | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$93,358     | \$150,796    | \$121,610    | \$2,423      | \$3,237      | \$4,051      | \$9,729      | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Total Development Cost                       | \$8,988,774   | \$8,988,774   | \$8,988,774   | \$8,988,774   | \$8,988,774   | \$8,988,774   | \$8,988,774   | \$8,988,774   | \$1,069,765  | \$672,075    | \$178,354    | \$2,423      | \$6,277      | \$14,051     | \$9,729      | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           | \$74,229,825  |
| Total Cash Flow                              | (\$8,988,774) | (\$8,988,774) | (\$8,988,774) | (\$8,988,774) | (\$8,988,774) | (\$8,988,774) | (\$8,988,774) | (\$8,988,774) | \$22,656,234 | \$16,783,158 | \$17,207,793 | \$17,625,620 | \$17,787,692 | \$17,950,760 | \$18,070,069 | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)         | \$50,171,134  |
| Financing Summary                            |               |               |               |               |               |               |               |               |              |              |              |              |              |              |              |             |             |             |             |             |             |             |             |             |             |               |               |
| Developer and Construction Loans Drawn       | \$6,741,580   | \$6,741,580   | \$6,741,580   | \$6,741,580   | \$6,741,580   | \$6,741,580   | \$6,741,580   | \$6,741,580   | \$802,324    | \$504,037    | \$283,765    | \$69,317     | \$47,428     | \$25,538     | \$7,297      | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           | \$55,673,665  |
| Developer and Construction Loans Repaid      | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$22,656,234 | \$16,783,158 | \$16,083,397 | \$69,317     | \$47,428     | \$25,538     | \$7,297      | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | (\$0)       | \$5,872,368   |               |
| Developer and Construction Loans Balance     | \$6,741,580   | \$13,483,161  | \$20,224,742  | \$26,966,322  | \$33,707,902  | \$40,449,482  | \$47,191,063  | \$53,932,643  | \$32,078,733 | \$15,799,632 | (\$80)       | (\$80)       | (\$80)       | (\$80)       | (\$80)       | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)        |               |
| Interest During Setback                      | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$876,405    | \$231,279    | \$256,744    | (\$80)       | (\$80)       | (\$80)       | (\$80)       | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)      | (\$80)        |               |
| Property Taxes During Setback                | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$93,359     | \$150,796    | \$121,610    | \$2,423      | \$3,237      | \$4,051      | \$9,729      | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Beginning Equity                             | \$0           | \$2,247,193   | \$4,494,387   | \$6,741,580   | \$8,988,774   | \$11,235,967  | \$13,483,161  | \$15,730,354  | \$17,977,548 | \$18,244,909 | \$18,413,008 | \$17,383,200 | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Addition to Equity                           | \$2,247,193   | \$2,247,193   | \$2,247,193   | \$2,247,193   | \$2,247,193   | \$2,247,193   | \$2,247,193   | \$2,247,193   | \$2,247,193  | \$2,247,193  | \$2,247,193  | \$2,247,193  | \$2,247,193  | \$2,247,193  | \$2,247,193  | \$2,247,193 | \$2,247,193 | \$2,247,193 | \$2,247,193 | \$2,247,193 | \$2,247,193 | \$2,247,193 | \$2,247,193 | \$2,247,193 | \$2,247,193 | \$18,557,656  |               |
| Paydown of Equity                            | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Equity After Paydown                         | \$2,247,193   | \$4,494,387   | \$6,741,580   | \$8,988,774   | \$11,235,967  | \$13,483,161  | \$15,730,354  | \$17,977,548  | \$18,244,909 | \$18,413,008 | \$17,383,200 | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Developer Equity Repayment                   | \$2,247,193   | \$4,494,387   | \$6,741,580   | \$8,988,774   | \$11,235,967  | \$13,483,161  | \$15,730,354  | \$17,977,548  | \$18,244,909 | \$18,413,008 | \$17,383,200 | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Interest Charge of Developer Equity          | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0           |               |
| Percent of Units Remaining at end of quarter | 100.0%        | 100.0%        | 100.0%        | 100.0%        | 100.0%        | 100.0%        | 100.0%        | 100.0%        | 74.9%        | 61.3%        | 48.4%        | 35.2%        | 22.0%        | 8.8%         | 0.0%         | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%          |               |

Source: Rycon Financial Services, Rycon Hill Financial Services Planning Department, and Industry Group  
 1. based on existing land, development 2007-2010 12 SPUR Model 12 (2007 Model) 12 24 Credit Land Rental

**EXHIBIT D-28**  
**STABILIZED OPERATING PRO FORMA AND LAND RESIDUAL ANALYSIS**  
**HIGH-RISE FOR SALE (EXISTING ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                                                      |                |
|------------------------------------------------------|----------------|
| Weighted Average Sales Price                         | \$631,287      |
| Total Number of Condominiums                         | 182            |
| Gross Sales Proceeds                                 | \$114,894,258  |
| Less: Marketing Expenses (0 percent of Gross Income) | 0              |
| Net Sales Proceeds                                   | \$114,894,258  |
| Threshold Gross Profit Margin                        | 25.0%          |
| Amount Available for Development Costs and Land      | \$91,915,406   |
| Less: Total Development Costs (Excluding Land)       | (\$79,974,537) |
| Residual Land Value                                  | \$11,940,869   |
| Residual Land Value per Building Gross Square Foot   | \$51.75        |
| Residual Land Value per Unit                         | \$65,609       |

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.  
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**EXHIBIT D-29**  
**GENERAL ASSUMPTIONS**  
**HIGH-RISE FOR SALE (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

| SITE AND BUILDING PARAMETERS    |         |
|---------------------------------|---------|
| Site Parameters                 |         |
| Site Size (Acres)               | 0.4     |
| Site Size (Square Feet)         | 18,500  |
| Building Parameters             |         |
| Gross Building Square Feet      | 416,648 |
| Efficiency Factor               | 78%     |
| Net Residential Square Feet     | 326,533 |
| Number of Condominiums          | 329     |
| Average Unit Size - Square Feet | 993     |

| PARKING PARAMETERS                       |        |
|------------------------------------------|--------|
| Parking Spaces per Condominium           | 1.0    |
| Total Parking Spaces                     | 329    |
| Average Parking Space Size - Square Feet | 252    |
| Gross Parking Square Feet (1)            | 83,000 |

| DEBT FINANCING PARAMETERS                     |               |                                               |              |
|-----------------------------------------------|---------------|-----------------------------------------------|--------------|
| Construction Period (years)                   | 2.0           | Total Equity                                  | \$35,904,719 |
| Loan To Cost (% of Total and Indirect Costs)  | 75%           | Total Equity as a Percent of Total Dev. Costs | 25.0%        |
| Loan Amount (Plus Points)                     | \$107,714,157 | Interest Carry                                | 0.0%         |
| Drawdown Factor (Average Outstanding Balance) | 65%           |                                               |              |
| Interest Rate                                 | 6.50%         |                                               |              |
| Finance Fees/Loan Points                      | 1.0%          |                                               |              |

| OPERATING ASSUMPTIONS        |           |
|------------------------------|-----------|
| Market-Rate Units            |           |
| Average Sales Price          | \$720,763 |
| Absorption (Units per Month) | 8         |
| Below Market-Rate Units      |           |
| Average Sales Price          | \$266,181 |
| Absorption (Units per Month) | 40        |
| Marketing                    | 0.0%      |

| VALUATION ASSUMPTIONS |       |
|-----------------------|-------|
| Gross Margin          | 30.0% |

Notes:

(1) Parking area is reduced by 0% due to the use of lifts and valet service.

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-30**  
**UNIT ASSUMPTIONS**  
**HIGH-RISE FOR SALE (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

**GENERAL ASSUMPTIONS**

|                                   |          |
|-----------------------------------|----------|
| Construction Start Date           | 01/01/04 |
| Sales Start Date                  | 12/31/05 |
| Total Market Rate Units           | 289      |
| Percent of Total For-sale Units   | 88%      |
| Absorption Rate (units per month) | 8        |
| Months to Stabilized Occupancy    | 36.1     |
| Total Affordable Units            | 40       |
| Percent of Total For-sale Units   | 12%      |
| Absorption Rate (units per month) | 40       |
| Months to Stabilized Occupancy    | 1.0      |

**UNIT BREAKDOWN**

| <b>Market Rate Unit Mix</b>     | <b>#</b> | <b>Percent</b> | <b>Price<br/>(2004 \$s)</b> | <b>Size<br/>(Sq.Ft.)</b> | <b>Price<br/>Per Sq.Ft.</b> |
|---------------------------------|----------|----------------|-----------------------------|--------------------------|-----------------------------|
| Studio/Jr. One-Bedroom/One-Bath | 29       | 10%            | \$465,763                   | 550                      | \$847                       |
| One Bedroom/One-Bath            | 101      | 35%            | 640,763                     | 800                      | 801                         |
| Two Bedroom/Two-Bath            | 130      | 45%            | 790,763                     | 1,150                    | 688                         |
| Three Bedroom/Two-Bath          | 29       | 10%            | 940,763                     | 1,400                    | 672                         |
| Total / Weighted Average        | 289      | 100%           | \$720,763                   | 993                      | \$726                       |

| <b>Affordable Unit Mix</b>      | <b>#</b> | <b>Percent</b> | <b>Price<br/>(2004 \$s)</b> | <b>Size<br/>(Sq.Ft.)</b> | <b>Price<br/>Per Sq.Ft.</b> |
|---------------------------------|----------|----------------|-----------------------------|--------------------------|-----------------------------|
| Studio/Jr. One-Bedroom/One-Bath | 4        | 10%            | \$202,169                   | 550                      | \$368                       |
| One Bedroom/One-Bath            | 14       | 35%            | 243,467                     | 800                      | 304                         |
| Two Bedroom/Two-Bath            | 18       | 45%            | 284,765                     | 1,150                    | 248                         |
| Three Bedroom/Two-Bath          | 4        | 10%            | 326,063                     | 1,400                    | 233                         |
| Total / Weighted Average        | 40       | 100%           | \$266,181                   | 993                      | \$268                       |

Annual Growth in For-Sales Prices 3.0%



**EXHIBIT D-31**  
**DEVELOPMENT COSTS (EXCLUDING LAND)<sup>1</sup>**  
**HIGH-RISE FOR SALE (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                                                             | Factor          |                  | Total                | Notes                                                |
|-------------------------------------------------------------|-----------------|------------------|----------------------|------------------------------------------------------|
|                                                             | \$/Gross SF     | \$/Unit          |                      |                                                      |
| <b>Direct Costs</b>                                         |                 |                  |                      |                                                      |
| Residential Construction and Site Improvement Costs         | \$188.96        | \$239,302        | \$78,730,228         | (\$188.96 Per Residential Gross Sq. Ft.)             |
| Parking Construction Costs                                  | 23.62           | 29,912           | 9,840,997            | (\$29,912 Per Space)                                 |
| Hard Cost Contingency                                       | 6.38            | 8,076            | 2,657,137            | (3.0% of Residential and Parking Construction Costs) |
| <b>Total Direct Development Costs</b>                       | <b>\$218.96</b> | <b>\$277,290</b> | <b>\$91,228,362</b>  |                                                      |
| <b>Indirect Development Costs</b>                           |                 |                  |                      |                                                      |
| Architecture and Engineering Fees                           | \$10.95         | \$13,864         | \$4,561,418          | (5.0% of Total Direct Development Costs)             |
| Planning and Entitlement                                    | 1.09            | 1,386            | 456,142              | (0.5% of Total Direct Development Costs)             |
| Legal and Other Fees                                        | 1.09            | 1,386            | 456,142              | (0.5% of Total Direct Development Costs)             |
| School Impact Fees                                          | 1.35            | 1,707            | 561,636              | (\$1.72 Per Net Square Foot)                         |
| Building Permit Fees                                        | 2.19            | 2,773            | 912,284              | (1.0% of Total Direct Costs)                         |
| Insurance                                                   | 11.84           | 15,000           | 4,935,000            | (\$15,000 Per Unit)                                  |
| Marketing Costs                                             | 5.00            | 6,331            | 2,083,006            | (1.0% of Static Costs)                               |
| Developer Assessment Fee                                    | 0.00            | 0                | 0                    | (\$0.00 Per Net Sq. Ft.)                             |
| Developer Fee/Overhead                                      | 10.95           | 13,864           | 4,561,418            | (5.0% of Total Direct Development Costs)             |
| Property Taxes During Construction                          | 3.79            | 4,801            | 1,579,490            |                                                      |
| Finance Fees/Loan Points (1.0 percent of Total Loan Amount) | 2.59            | 3,274            | 1,077,142            |                                                      |
| Construction Loan Interest                                  | 23.86           | 30,219           | 9,941,940            |                                                      |
| Construction Loan Interest During Sellout                   | 10.50           | 13,295           | 4,374,020            |                                                      |
| Interest Carry of Developer Equity                          | 0.00            | 0                | 0                    |                                                      |
| HOA Dues During Sellout                                     | 6.89            | 8,727            | 2,871,034            |                                                      |
| Property Taxes During Sellout                               | 5.10            | 6,465            | 2,126,862            |                                                      |
| Sales and Commissions                                       | 26.30           | 33,311           | 10,959,213           |                                                      |
| Soft Cost Contingency                                       | 2.24            | 2,838            | 933,769              | (3.0% of Select Soft Costs)                          |
| <b>Total Soft Costs</b>                                     | <b>\$125.74</b> | <b>\$159,242</b> | <b>\$52,390,514</b>  |                                                      |
| <b>Total Development Costs</b>                              | <b>\$344.70</b> | <b>\$436,532</b> | <b>\$143,618,876</b> |                                                      |

Notes:

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.

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**EXHIBIT D-33**  
**STABILIZED OPERATING PRO FORMA AND LAND RESIDUAL ANALYSIS**  
**HIGH-RISE FOR SALE (PROPOSED ZONING)**  
**RINCON HILL FINANCIAL FEASIBILITY ANALYSIS**  
**MAY 2004**

|                                                      |                 |
|------------------------------------------------------|-----------------|
| Weighted Average Sales Price                         | \$666,214       |
| Total Number of Condominiums                         | 329             |
| Gross Sales Proceeds                                 | \$219,184,256   |
| Less: Marketing Expenses (0 percent of Gross Income) | 0               |
| Net Sales Proceeds                                   | \$219,184,256   |
| Threshold Gross Profit Margin                        | 30.0%           |
| Amount Available for Development Costs and Land      | \$168,603,274   |
| Less: Total Development Costs (Excluding Land)       | (\$143,618,876) |
| Residual Land Value                                  | \$24,984,398    |
| Residual Land Value per Building Gross Square Foot   | \$59.97         |
| Residual Land Value per Unit                         | \$75,940        |

Sources: Pankow Companies; Webcor; San Francisco Planning Department; and Sedway Group.  
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UNIVERSITY MICROFILMS  
 300 N ZEEB RD  
 ANN ARBOR MI 48106-1500  
 TEL: (313) 761-8700 FAX: (313) 761-8701  
 WWW.UMI.COM